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Public Employees' Retirement Board

1994 Annual Financial Report

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STATE OF MONTANA

PUBLIC EMPLOYEES' RETIREMENT BOARD

1994

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 1994

Public Employees' Retirement System

Municipal Police Officers' Retirement System

Game Wardens' Retirement System

Sheriffs' Retirement System

Judges' Retirement System

Highway Patrol Officers' Retirement System

Firefighters' Unified Retirement System

Volunteer Firefighters' Compensation Act

Prepared by
The State of Montana
Public Employees' Retirement Division
1712 Ninth Avenue
PO Box 200131
Helena MT 59620-0131


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DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT DIVISION

MARC RACICOT, GOVERNOR

STATE OF MONTANA

(406) 444-3154 TELEFAX (406) 444-5428

1712 9TH AVENUE
PO BOX 200131
HELENA, MONTANA 59620-0131

December 30, 1994

The Honorable Marc Racicot
Governor of Montana
Rm 204 State Capitol
PO Box 200801
Helena MT 59620-0801

Dear Governor Racicot:

In accordance with 19-3-306, MCA, the Public Employees' Retirement Board is pleased to submit to you their Annual Financial Report for the fiscal year ended June 30, 1994.

The report of the 49th year of operation of the *Public Employees' Retirement System* is being presented with the *Municipal Police Officers', Game Wardens', Sheriffs', Judges', Highway Patrol Officers'*, and *Firefighters' Unified Retirement Systems* and the *Volunteer Firefighters' Compensation Act*.

The Public Employees' Retirement Division is dedicated to efficiently and equitably administering these state and local government retirement systems on a financially sound basis, providing broad retirement coverage to public employee members and their beneficiaries in the event of retirement, disability or death as prescribed by the legislature.

Sincerely,

Linda King

Linda King
Administrator

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PUBLIC EMPLOYEES' RETIREMENT BOARD



The Public Employees' Retirement Board as pictured from left to right are: Eleanor Pratt, Fred Flanders, Carol Lambert, Terry Teichrow, Carole Carey, and Troy McGee.

TERRY TEICHROW
President - Helena
"Active Member"
Term exp. 3/31/1995

CAROLE CAREY
Vice President - Ekalaka
"Active Member"
Term exp. 3/31/1997

ELEANOR PRATT
Glasgow
"Active Member"
Term exp. 3/31/1999

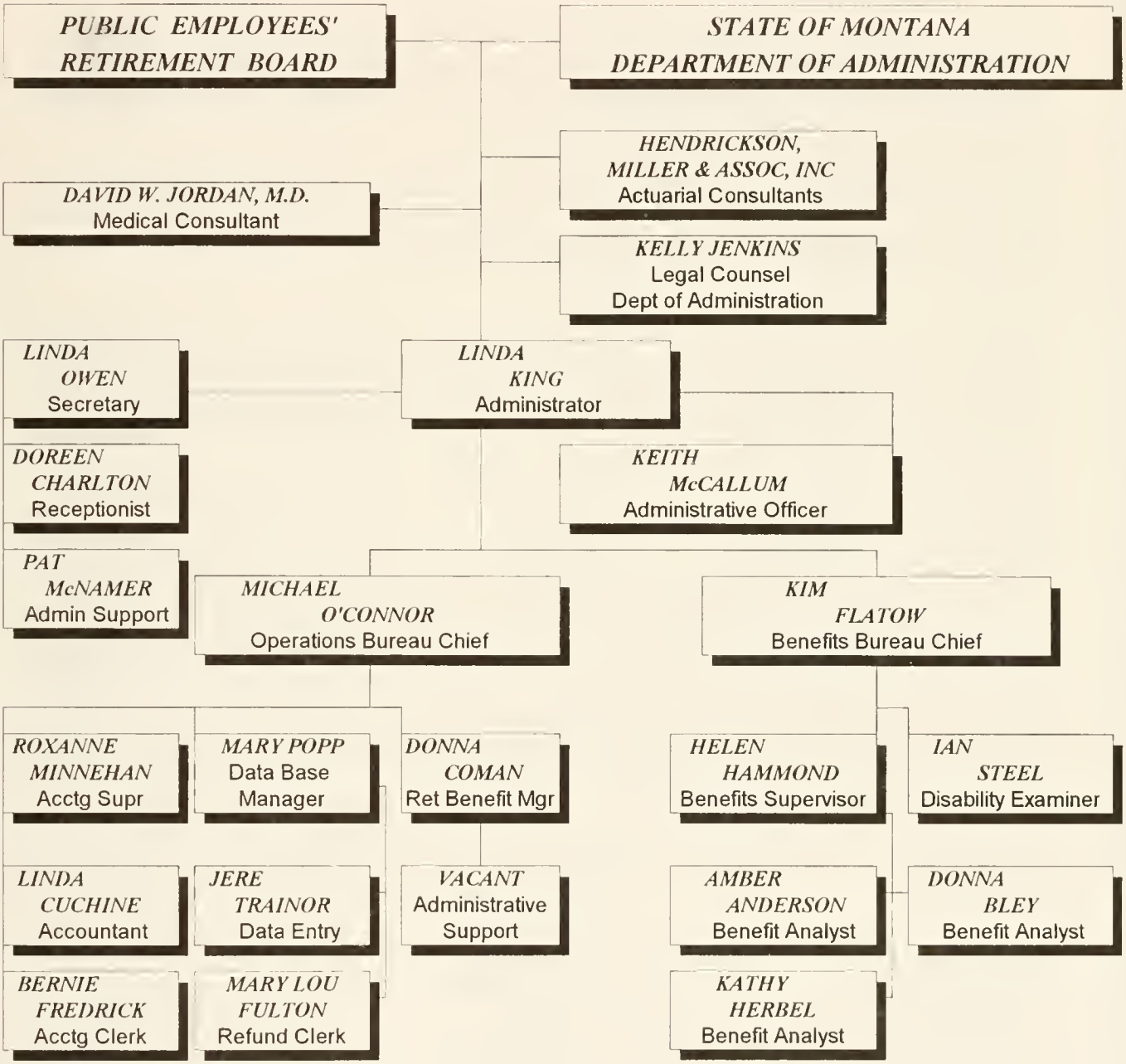
CAROL LAMBERT
Hammond
"Member at Large"
Term exp. 3/31/1996

TROY MCGEE
Helena
"Retired Public Employee"
Term exp. 3/31/1998

FRED FLANDERS
Helena
"Member at Large"
Term exp. 3/31/1998

PUBLIC EMPLOYEES' RETIREMENT DIVISION

ORGANIZATIONAL CHART



STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT BOARD

INTRODUCTION

The Public Employees' Retirement Board administers eight separate retirement systems with combined assets of over $1.4 billion and active membership of 28,821. During fiscal year 1994, benefits totalling $90,766,523 were paid to 13,938 retirees and their beneficiaries, as compared to $79,801,005 paid to 12,919 recipients in fiscal year 1993.

Fiduciary responsibility of the systems rests with the Public Employees' Retirement Board consisting of six members appointed by the Governor to five-year staggered terms. Administrative policies and procedures are designed to ensure accurate accounting of the funds detailed in this report.

Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Public Employee's Retirement Division. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and the results of operations of the systems.

REVENUES

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investments. These income sources totalled $216,034,135 during fiscal year 1994 for all retirement systems. The overall revenues increased 2.9% over those of the prior year due to the retirement incentive program (RIP) and increased retirement contributions.

	1994	1993	Inc/(Dec)
Contributions			
Member	45,524,524	42,615,526	2,908,998
Employer	45,052,559	43,437,276	1,615,283
State	8,552,738	9,668,188	(1,115,450)
Registration Fees	266,485	255,462	11,023
License Fees	540,648	595,980	(55,332)
Fines & Forfeitures	247,481	273,958	(26,477)
Court Fees	603,996	595,769	8,227
*RIP Contrib**	9,330,554	84,107	9,246,447
Investments	105,913,474	112,406,219	(6,492,745)
Total Revenues	**216,032,459**	**209,932,485**	**6,099,974**

**Retirement Incentive Program Contributions - HB 517*

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT BOARD

INTRODUCTION

EXPENSES

The expenses of the systems include the payment of benefits to members and beneficiaries, the refund of contributions to former members, the cost of administering the retirement systems, and investment expenses. The increase in benefit expenses resulted primarily from an increase in the number of benefits paid, increases in benefits for new retirees and cost of living increases.

	1994	1993	Inc/(Dec)
Benefit Payments	90,766,528	79,801,005	10,965,523
Refunds			
Employee	8,723,710	9,513,972	(790,262)
Employer	136,674	259,431	(122,757)
Administration	1,167,345	1,060,850	106,495
Investment Expenses	282,496	269,386	13,110
Total Expenses	**101,076,753**	**90,904,644**	**10,172,109**

FUNDING

Funds derived from the excess of revenues over expenses are accumulated by the systems in order to meet future benefit obligations to members and their beneficiaries. The accumulated balance is referred to as the "net assets available for benefits" on the balance sheets contained in the financial section of this report. The amount shown on the balance sheets as the "pension benefit obligation" is the actuarial present value of credited projected benefits. It is a measure of the present value of the total pension benefits estimated to be payable in the future to both current retirees and beneficiaries and current employees.

The percentage, computed by dividing the net assets by the pension benefit obligation available for benefits, is generally referred to as the "funding ratio". This ratio provides an indication of the funding status of the systems on a going-concern basis and, generally, the greater this percentage, the stronger the system. A higher level of funding gives the participants a greater degree of assurance that their pension benefits are secure.

A biennial actuarial review of each retirement system ensures that funds will be available for both current and future benefit payments. Complete actuarial valuations are performed in even number years.

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT BOARD

INTRODUCTION

SOCIAL SECURITY PROGRAM

The agency administers the Federal-State Social Security Agreement as defined in Title II, Section 218 of the federal Social Security Act and Title 19, Chapter 1, MCA. It provides a means for employees of political subdivisions not covered by a public retirement system to elect Social Security coverage on a group by group basis.

PROFESSIONAL SERVICES

Professional consultants are hired to perform services essential to the efficient operation of the Systems. Actuarial services are provided by Hendrickson, Miller & Associates of Helena, Montana. Trust funds are invested by the Montana Board of Investments. The Treasury Bureau of the Department of Administration is custodian of the retirement funds. Legal counsel is provided by the Attorney General through the legal staff of the Department of Administration. David W. Jordan, M.D., provides medical expertise to the Board in their determinations on disability retirements.

ACKNOWLEDGEMENTS

The preparation of this report reflects the dedicated efforts of the Public Employees' Retirement Division staff under the direction of the Retirement Board. It is intended to provide complete and reliable information necessary for informed decision-making, determining compliance with the law, and presenting responsible stewardship over the assets contributed by the members, their employers, and the State.

IN MEMORIAM



ROBERT L. BATISTA
July 13, 1939 – June 25, 1994

Respectfully dedicated in memory of Robert L. Batista who efficiently, diligently and conscientiously served as a Member, Vice President, and President of Public Employees' Retirement Board during his tenure from April 1, 1977 through March 31, 1992.

Mr. Batista served with outstanding ability, great judgement, justice, understanding and success for 15 years under the administrations of three Governors. His devotion, counsel and outstanding contributions helped to ensure modern retirement programs for Montana Public employees. He is greatly missed.

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT BOARD

COMBINED BALANCE SHEET

JUNE 30, 1994

ASSETS	
Cash In Treasury	$3,125,855
Interest Receivable	18,882,785
Accounts Receivable	14,577,395
Corporate Securities, at amortized cost (market value $526,982,552)	533,001,354
U.S. Government Securities, at amortized cost (market value $322,706,966)	334,016,595
Canadian Securities, at amortized cost (market value $48,527,737)	47,416,869
Mortgages (less mortgage discount $30,532)	58,574,810
Short Term Investment Pool	49,646,700
MT Convertible Pool, at cost (market value $38,254,615)	40,321,324
Common Stock, at cost (market value $493,206,080)	311,907,211
Equipment (less accumulated depreciation $76,907)	59,550
Intangible Assets	3,258
Land and Buildings (less accumulated depreciation $176,204)	176,204
Leveraged Buy-Outs, at cost (market value $20,424,000)	14,765,472
Venture Capital, at cost (market value $10,693,283)	10,171,301
Deferred Gains/(Losses)	1,415,132
Total Assets	**$1,438,061,815**
LIABILITIES	
Accounts Payable	$1,217,015
Deferred Revenue	12,335
Compensated Absences	68,708
Net Assets Available For Benefits	**$1,436,763,757**
FUND BALANCE	
Actuarial present value of projected benefits payable:	
to current retirants and beneficiaries	$853,043,657
to terminated vested participants	40,360,442
Actuarial present value of credited projected for active employees:	
Member contributions	409,264,946
Employer-financed	530,185,844
Total actuarial present value of credited projected benefits	1,832,854,889
Unfunded actuarial present value of credited projected benefits	(396,091,132)
Total Fund Balance	**$1,436,763,757**

MEMO ENTRY ONLY

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT BOARD

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE

FOR FISCAL YEARS ENDED JUNE 30, 1994 AND JUNE 30, 1993

REVENUES	*1994*	*1993*
Retirement Contributions		
Member	**$45,524,524**	$42,615,526
Employer	**45,052,559**	43,437,276
State/Retirement Adjustment	**8,552,738**	9,668,188
Retirement Incentive Program	**9,330,554**	84,107
Interest Reserve Buyback	**58,162**	91,279
Late Report Penalty	**0**	180
Membership Fees	**25,824**	27,038
Investment Income	**92,673,928**	100,364,945
Rental Receipts	**28,800**	23,250
Common Stock Dividends	**13,210,746**	12,018,024
Registration Fees	**266,485**	255,462
License Fee Collections	**540,648**	595,980
Fines and Forfeitures	**247,481**	273,958
Court Fees	**603,996**	595,769
Total Revenues	**216,116,445**	**210,050,982**
EXPENSES		
Benefit Payments	**90,766,528**	$79,801,005
Refund of Member Contributions	**6,861,418**	7,209,902
Interest On Refunds	**1,862,292**	2,304,070
Supplemental Insurance Benefits (VFCA)	**18,300**	25,725
Employer Refunds *	**136,674**	259,431
Investment Expense	**282,496**	269,386
Rent Expense	**12,860**	7,995
Building Improvements	**0**	79,540
Administrative Expense	**1,167,345**	1,060,850
Total Expenses	**101,107,913**	**$91,017,904**
OTHER FINANCING SOURCES - (USES)		
Capitalize Equipment	**10,978**	$4,819
Prior Year Adjustments	**111,839**	2,142,722
Excess Of Revenues Over Expenses	**115,131,349**	121,180,619
Fund Balance Beginning Of Year	**1,321,632,408**	1,200,451,789
Fund Balance End Of Year	**1,436,763,757**	**$1,321,632,408**

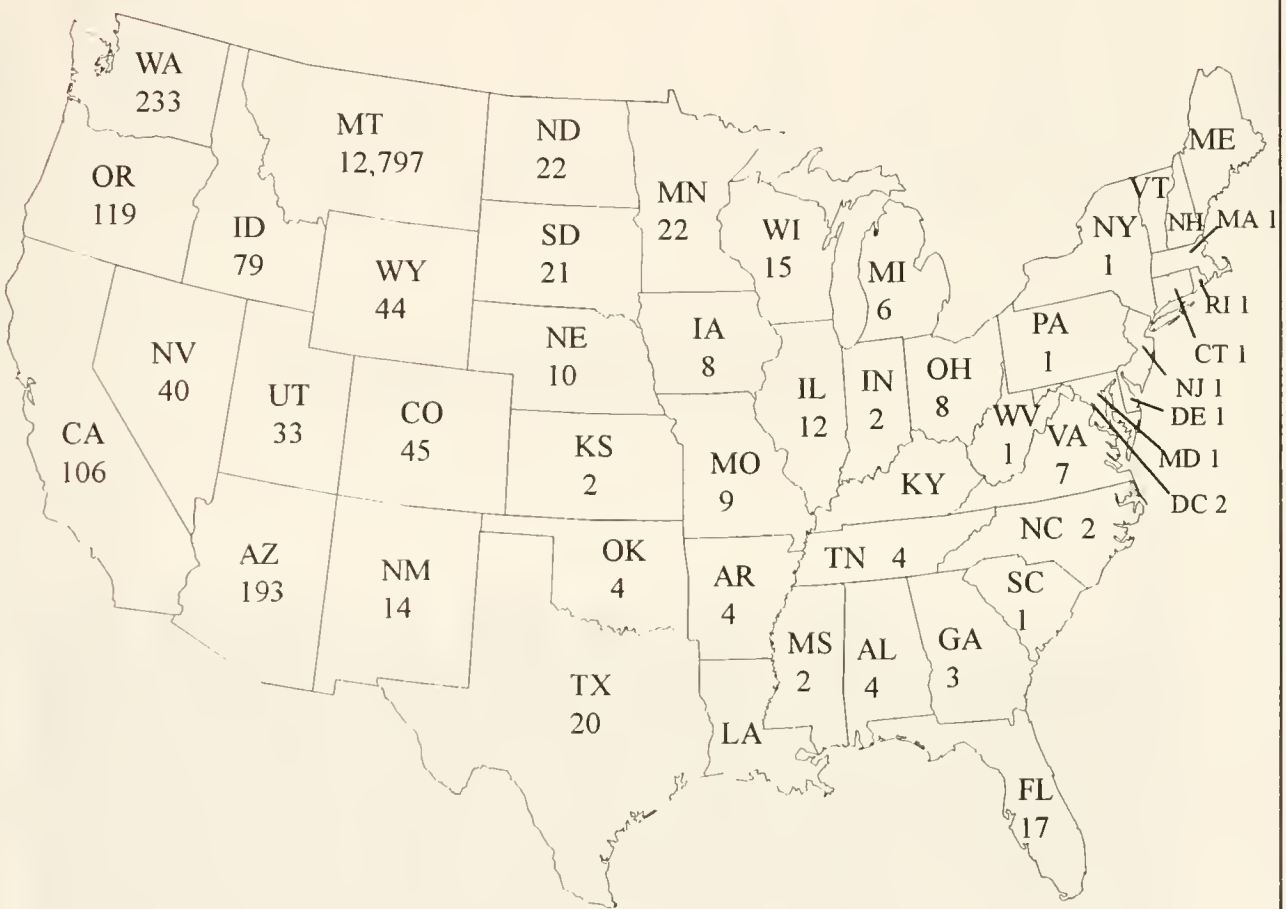
MEMO ENTRY ONLY

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT BOARD
ADMINISTRATIVE EXPENSES
FOR FISCAL YEAR ENDED JUNE 30, 1994

PERSONAL SERVICES	
Salaries	$479,349
Board Members' Per Diem	6,650
Employee Benefits	140,260
Total Personal Services	**626,259**
OTHER SERVICES	
Consulting Services	61,234
Janitorial Services	2,820
Legal Fees and Court Costs	49,184
Payroll and Audit Fees	22,041
Medical Services	7,795
Microfilming	3,719
Records Storage	3,159
Pre-Retirement Seminars	1,000
Computer Processing	59,315
Computer Systems Development	83,711
Printing and Photocopy Charges	14,559
Warrant Writing Services	38,841
Other	19,633
Total Other Services	**367,009**
COMMUNICATIONS	
Postage and Mailing	40,898
Telephone	10,021
Total Communications	**50,919**
OTHER EXPENSES	
Supplies and Materials	18,994
Travel	16,393
Rent	28,800
Utilities	6,339
Repair and Maintenance	6,249
Depreciation/Amortization	9,594
Compensated Absences	1,497
Equipment	8,246
Prior Year Adjustments	3,859
Miscellaneous	20,276
Total Other Expenses	**120,248**
TOTAL ADMINISTRATIVE EXPENSES	**$1,164,435**

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT BOARD

DISTRIBUTIONS OF BENEFIT RECIPIENTS BY STATE
AS OF JUNE 30, 1994

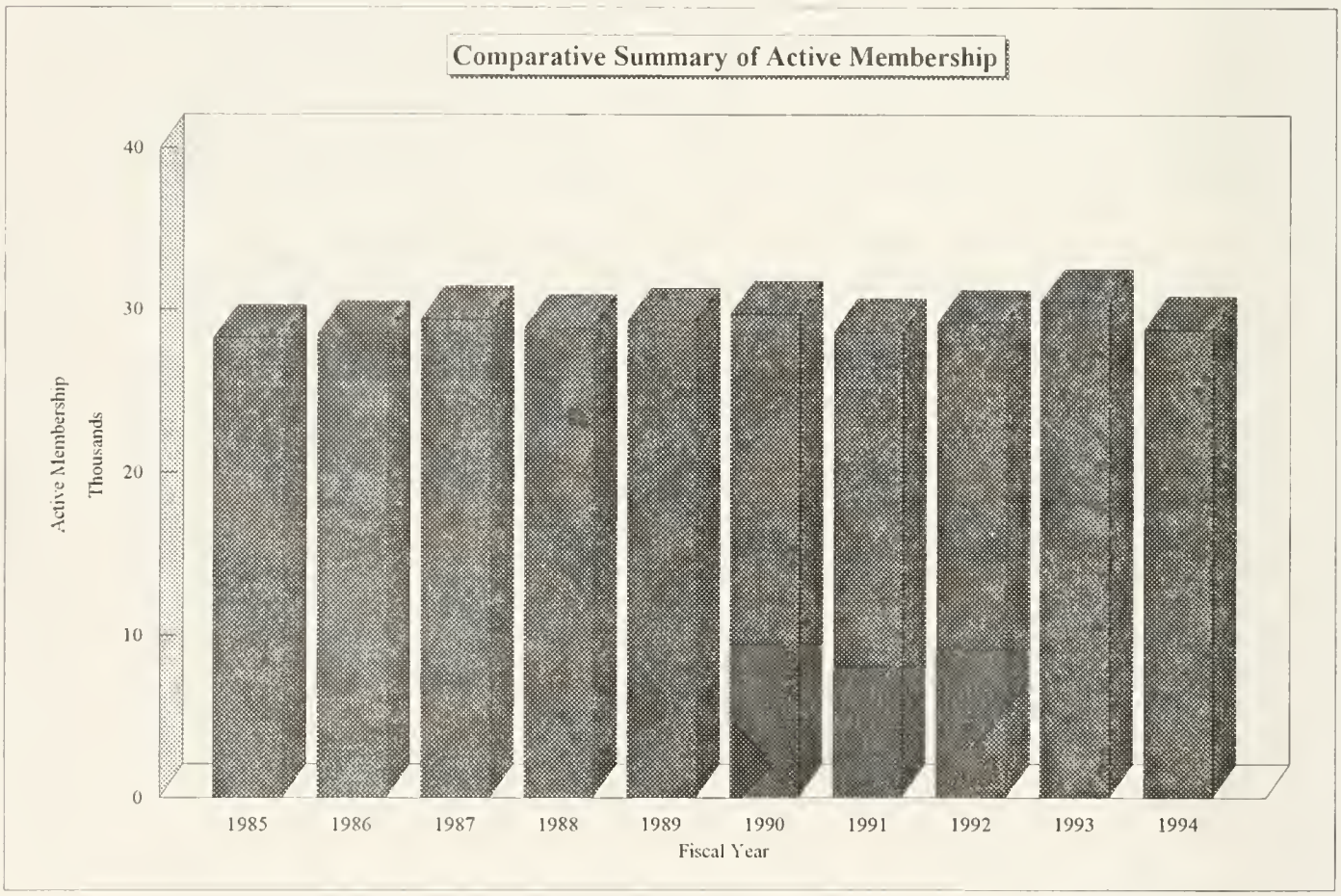


Recipients outside the Continental US include:
Alaska- 12 Canada - 6 England - 1 Philippines - 1

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT BOARD
COMPARATIVE SUMMARY OF ACTIVE MEMBERSHIP

(By Fiscal Year)

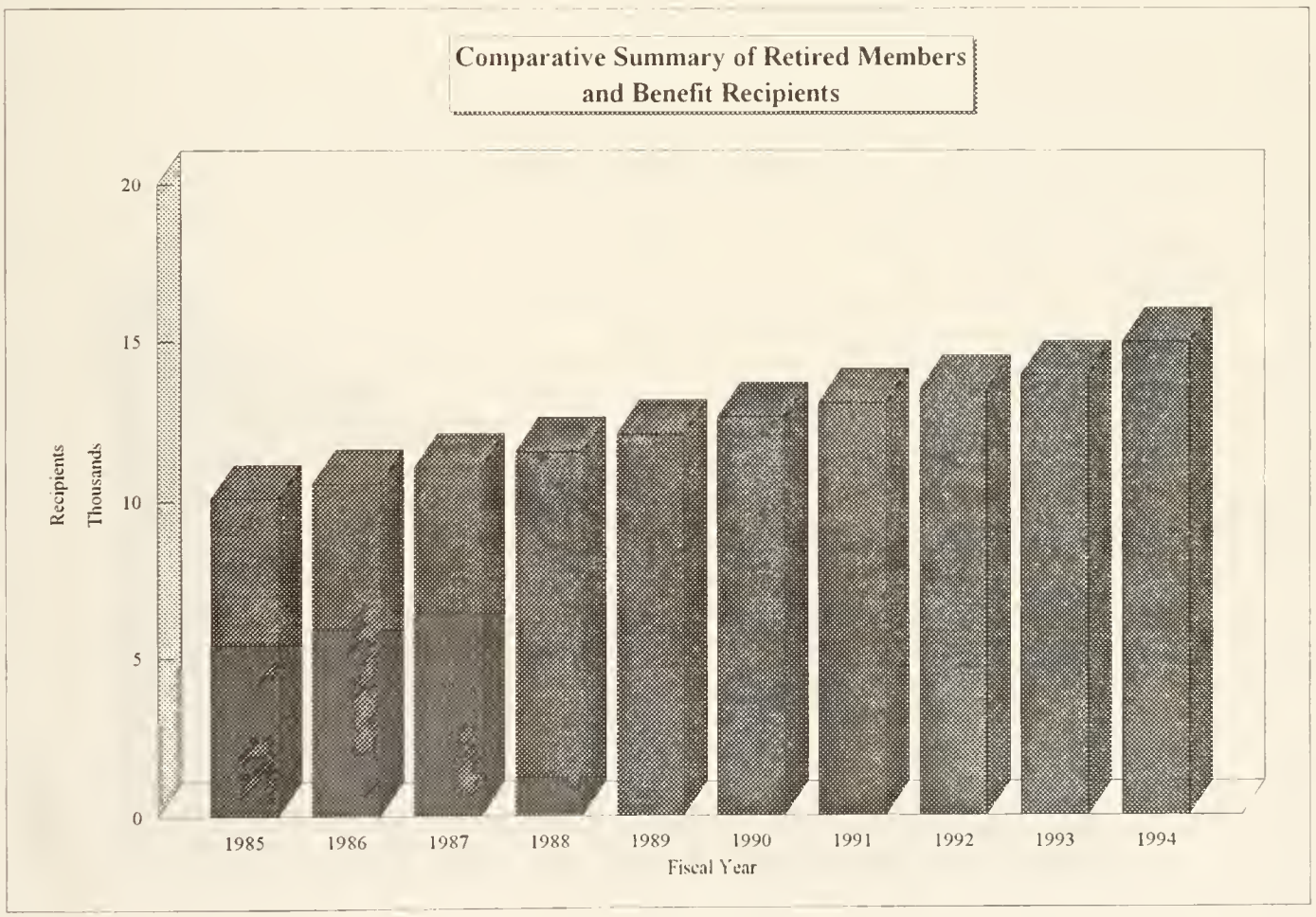
	1985	*1986*	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*
PERS	26,520	26,767	27,418	27,191	27,614	28,017	26,908	27,473	28,720	**27,045**
MPORS	436	436	436	427	434	441	445	453	478	**480**
GWRS	86	85	84	86	80	89	91	87	86	**85**
SRS	539	541	530	509	523	522	525	521	548	**552**
JRS	42	42	42	42	44	43	43	43	43	**44**
HPORS	198	201	194	187	190	199	203	203	199	**203**
FURS	398	403	442	429	431	430	416	420	432	**412**
TOTAL	**28,219**	**28,475**	**29,146**	**28,871**	**29,316**	**29,741**	**28,631**	**29,200**	**30,506**	**28,821**



STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT BOARD
COMPARATIVE SUMMARY OF RETIRED MEMBERS AND BENEFIT RECIPIENTS

(By Fiscal Year)

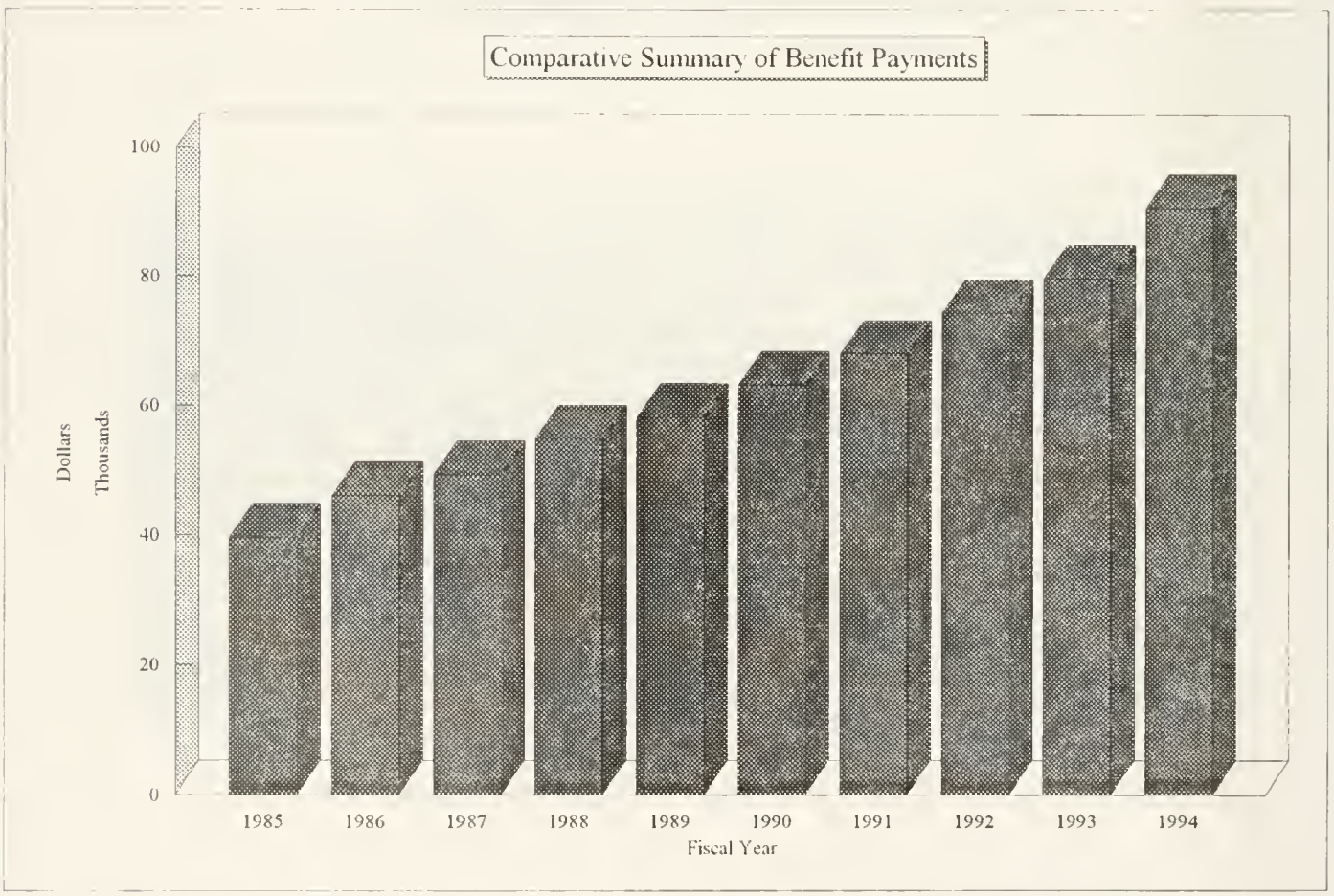
	1985	*1986*	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*
PERS	8,025	8,406	8,802	9,224	9,652	10,086	10,429	10,734	11,028	**11,961**
MPORS	359	369	381	400	409	422	429	436	465	**482**
GWRS	40	44	46	50	56	58	59	61	64	**69**
SRS	55	59	72	74	78	85	93	99	103	**111**
JRS	21	21	22	21	25	26	31	31	32	**34**
HPORS	134	145	155	164	176	182	191	201	208	**221**
FURS	345	357	365	365	368	384	396	401	406	**417**
VFCA	377	395	422	444	481	506	521	561	613	**643**
TOTAL	**9,356**	**9,796**	**10,265**	**10,742**	**11,245**	**11,749**	**12,149**	**12,524**	**12,919**	**13,938**



STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT BOARD
COMPARATIVE SUMMARY OF BENEFIT PAYMENTS

(By Fiscal Year)
(In thousands of dollars)

	1985	*1986*	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*
PERS	31,238	36,596	39,092	43,899	46,270	50,541	54,154	59,016	62,856	**73,013**
MPORS	3,151	3,464	3,697	3,990	4,273	4,638	4,843	5,330	5,908	**6,213**
GWRS	301	383	409	432	545	685	717	779	831	**928**
SRS	242	306	384	440	466	565	729	781	883	**964**
JRS	417	437	436	447	471	568	574	637	797	**745**
HPORS	843	974	1,159	1,388	1,561	1,698	1,897	2,350	2,695	**2,933**
FURS	3,217	3,485	3,730	4,013	3,997	4,213	4,494	4,851	5,041	**5,177**
VFCA	268	508	502	328	688	366	737	699	790	**793**
TOTAL	**39,677**	**46,153**	**49,409**	**54,937**	**58,271**	**63,274**	**68,145**	**74,443**	**79,801**	**90,766**



STATE OF MONTANA

PUBLIC EMPLOYEES' RETIREMENT BOARD

COMPARATIVE SUMMARY OF RETIREES & BENEFIT RECIPIENTS

(By Fiscal Year)

	PERS	*MPORS*	*GWRS*	*SRS*	*JRS*	*HPORS*	*FURS*	*VFCA*	*TOTAL*
BEGIN BAL	**7,568**	**354**	**37**	**52**	**20**	**131**	**338**	**354**	**8,854**
FY 85									
ADDED	661	7	3	6	2	5	11	32	**727**
REMOVED	(204)	(2)	0	(3)	(1)	(2)	(4)	(9)	**(225)**
ENDING	8,025	359	40	55	21	134	345	377	**9,356**
FY 86									
ADDED	586	16	4	7	1	13	19	33	**679**
REMOVED	(205)	(6)	0	(3)	(1)	(2)	(7)	(15)	**(239)**
ENDING	8,406	369	44	59	21	145	357	395	**9,796**
FY 87									
ADDED	626	16	2	15	2	10	17	39	**727**
REMOVED	(230)	(4)	0	(2)	(1)	0	(9)	(12)	**(258)**
ENDING	8,802	381	46	72	22	155	365	422	**10,265**
FY 88									
ADDED	662	24	4	2	0	9	11	35	**747**
REMOVED	(240)	(5)	0	0	(1)	0	(11)	(13)	**(270)**
ENDING	9,224	400	50	74	21	164	365	444	**10,742**
FY 89									
ADDED	713	15	7	5	4	13	14	53	**824**
REMOVED	(285)	(6)	(1)	(1)	0	(1)	(11)	(16)	**(321)**
ENDING	9,652	409	56	78	25	176	368	481	**11,245**
FY 90									
ADDED	714	17	3	8	3	8	20	42	**815**
REMOVED	(280)	(4)	(1)	(1)	(2)	(2)	(4)	(17)	**(311)**
ENDING	10,086	422	58	85	26	182	384	506	**11,749**
FY 91									
ADDED	622	16	1	13	5	11	16	32	**716**
REMOVED	(279)	(9)	0	(5)	0	(2)	(4)	(17)	**(316)**
ENDING	10,429	429	59	93	31	191	396	521	**12,149**
FY 92									
ADDED	603	14	3	6	2	13	10	59	**710**
REMOVED	(298)	(7)	(1)	0	(2)	(3)	(5)	(19)	**(335)**
ENDING	10,734	436	61	99	31	201	401	561	**12,524**
FY 93									
ADDED	597	32	3	8	3	10	10	72	**735**
REMOVED	(303)	(3)	0	(4)	(2)	(3)	(5)	(20)	**(340)**
ENDING	11,028	465	64	103	32	208	406	613	**12,919**
FY 94									
ADDED	**1,251**	**22**	**5**	**8**	**2**	**16**	**15**	**49**	**1,368**
REMOVED	**(318)**	**(5)**	**0**	**0**	**0**	**(3)**	**(4)**	**(19)**	**(349)**
ENDING	**11,961**	**482**	**69**	**111**	**34**	**221**	**417**	**643**	**13,938**



Financial Section

PUBLIC EMPLOYEES' RETIREMENT SYSTEM



Photo compliments of Travel Montana/Betty MacDavid

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
PO BOX 201705
HELENA, MONTANA 59620-1705
406/444-3122
FAX 406/444-3036

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:
MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheet of the Public Employees' Retirement System as of June 30, 1994, and the related statement of revenues, expenses, and changes in fund balance for each of the two fiscal years ended June 30, 1994 and 1993, as shown on pages 20 through 29. The information contained in these financial statements is the responsibility of the system's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Public Employee's Retirement System at June 30, 1994 and the results of its operations for the years ended June 30, 1994 and 1993 in conformity with generally accepted accounting principles.

The trend information following the notes to the financial statements on pages 30 through 32 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The other data included in this report have not been audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

December 2, 1994

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BALANCE SHEET

JUNE 30, 1994

ASSETS	
Cash In Treasury	$2,765,029
Interest Receivable	15,633,482
Accounts Receivable	6,797,965
Corporate Securities, at amortized cost (market value $440,602,791)	444,478,407
U.S. Government Securities, at amortized cost (market value $249,439,318)	257,756,492
Canadian Securities, at amortized cost (market value $41,600,960)	41,210,879
Mortgages (less mortgage discount $30,532)	58,574,810
Short Term Investment Pool	41,769,900
MT Convertible Pool, at cost (market value $38,254,615)	40,321,324
Common Stock, at cost (market value $432,471,601)	269,241,497
Equipment (less accumulated depreciation $76,907)	59,550
Intangible Assets	3,258
Land and Buildings (less accumulated depreciation $176,204)	176,204
Leveraged Buy-Outs, at cost (market value $20,424,000)	12,513,113
Venture Capital, at cost (market value $10,693,283)	10,171,301
Deferred Gains/(Losses)	1,661,565
Total Assets	**$1,203,134,776**
LIABILITIES	
Accounts Payable	997,831
Deferred Revenue	9,622
Compensated Absences	68,708
Net Assets Available For Benefits	**$1,202,058,615**
FUND BALANCE	
Actuarial present value of projected benefits payable:	
to current retirants and beneficiaries	$678,478,597
to terminated vested participants	37,787,285
Actuarial present value of credited projected benefits for active employees:	
Member contributions	364,674,936
Employer-financed	395,040,250
Total actuarial present value of credited projected benefits	1,475,981,068
Unfunded actuarial present value of credited projected benefits	(273,922,453)
Total Fund Balance	**$1,202,058,615**

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE

FOR FISCAL YEARS ENDED JUNE 30, 1994 AND JUNE 30, 1993

	1994	*1993*
REVENUES		
Retirement Contributions		
Member	$41,216,594	$38,857,957
Employer	38,409,529	36,635,910
Retirement Adjustment	0	1,502,519
Retirement Incentive Program	9,330,554	84,107
Interest Reserve Buyback	57,933	83,205
Late Report Penalty	0	180
Membership Fees	25,824	27,038
Investment Income	76,273,932	85,029,575
Rental Receipts	28,800	23,250
Common Stock Dividends	11,643,885	10,642,510
Total Revenues	**$176,987,051**	**$172,886,251**
EXPENSES		
Benefit Payments	$73,012,882	$62,856,489
Refund of Member Contributions	6,544,203	6,851,081
Interest On Refunds	1,778,902	2,174,346
Employer Refund	119,083	236,068
Investment Expense	256,900	243,944
Rent Expense	12,860	7,995
Building Improvements	0	79,540
Administrative Expense	1,064,721	966,748
Total Expenses	**$82,789,551**	**$73,416,211**
OTHER FINANCING SOURCES - (USES)		
Capitalize Equipment	10,978	4,819
Prior Year Adjustments	101,355	565,520
Excess Of Revenues Over Expenses	94,309,833	100,040,379
Fund Balance Beginning Of Year	1,107,748,782	1,007,708,403
Fund Balance End Of Year	**$1,202,058,615**	**$1,107,748,782**

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

A. PLAN DESCRIPTION

1. PLAN MEMBERSHIP

The Public Employees' Retirement Board is the administrator of the Public Employees' Retirement System (PERS), a statewide retirement plan established in 1945 in accordance with Title 19, chapters 2 & 3 of the Montana Code Annotated to provide pension benefits for employees of the State, University System, and local governments. The PERS is a multiple-employer, cost-sharing defined benefit plan. Benefits are vested after five years of membership service.

PERS MEMBERSHIP DATA

	June 30, 1994	June 30, 1993
EMPLOYERS:		
State Agencies	47	47
Counties	55	55
Cities/Towns	86	85
Colleges/Universities	6	6
School Districts	228	227
Other	75	77
TOTAL	**498**	**497**
See pages 36-38 for listing of PERS employers.		
ACTIVE MEMBERS BY EMPLOYER:		
State	10,214	10,439
Counties	5,159	5,116
Cities/Towns	2,645	2,512
Colleges/Universities	2,431	2,347
School Districts	5,671	5,503
Other	924	810
TOTAL	**27,044**	**26,727**
ACTIVE MEMBERS:		
Vested	18,067	18,488
Non-vested	8,977	8,239
TOTAL	**27,044**	**26,727**
INACTIVE MEMBERS:		
Vested	1,173	1,257
Non-vested	6,614	5,876
TOTAL	**7,787**	**7,133**
BENEFIT RECIPIENTS:		
Service Retirements	10,853	9,942
Disability Retirements	867	850
Survivor Benefits	241	236
TOTAL	**11,961**	**11,028**

2. BENEFIT PROVISIONS

A. PENSION BENEFITS

Benefit provisions are established by state law and may be modified only by the State of Montana Legislature. A member may retire with a normal service retirement benefit after both completing at least five years of membership service and attaining the minimum service retirement age of 60; *or* after completing 30 years of membership service, regardless of age; *or* after reaching age 65 while an active member, regardless of years of service. The normal retirement benefit, payable monthly for life, is the greater of the following formulas:

PERS BENEFIT FORMULA

1) 1/56 X Years of Service X Final Average Salary (FAS)

2) the actuarial equivalent of double the member's accumulated regular contributions

FAS is the average of the member's highest gross pay during any 36 consecutive months of service.

A member who is not eligible for normal service retirement may retire with an actuarially reduced retirement benefit after either completing at least five years of membership service and attaining age 50, *or* 25 years of membership service, regardless of age.

When applying for retirement, members may choose an option providing benefits for their life only, or choose a reduced monthly benefit in order to provide continuing optional benefits for designated beneficiaries upon the retired member's death.

B. DEFERRED BENEFITS

A vested member leaving covered employment before attaining minimum retirement eligibility may receive a monthly benefit beginning as early as age 50, provided the member's accumulated contributions are left on deposit. If the inactive member dies before applying for retirement benefits, the designated beneficiary(ies) is entitled to a refund of the member's accumulated contributions and interest.

C. DISABILITY BENEFITS

A member with five or more years of membership service who becomes totally and permanently disabled is eligible for a disability retirement. If the disabled member was hired on or before February 24, 1991, the benefit is equal to the higher of either:

25% of FAS, *or*
90% of 1/56 X Years of Service X FAS.

If the disabled member was hired after February 24, 1991, (or has elected this coverage) the benefit is calculated as follows:

1/56 X Years of Service X FAS.

D. SURVIVOR BENEFITS

Upon the death of an actively employed member of the system, the designated beneficiary(ies) is entitled to either:

1) a lump sum benefit, consisting of one month's salary for each year of service, up to a maximum of six months' salary, plus the members' accumulated contributions and interest, *or*

2) if the deceased member had at least five years of membership service, the beneficiary may elect a monthly benefit based on the salary, service and age of the member at the time of death.

E. BENEFIT ENHANCEMENTS AFTER RETIREMENT

Post retirement adjustments provide annual permanent monthly benefit increases funded from annual investment earnings exceeding the actuarially required 8% yield. Annual increases are paid to eligible recipients based on years of service, current age and the retirement option chosen. In January 1994, the average eligible recipient received an increase equal to 1.42% of benefits.

The 1993 Montana Legislature enacted House Bill 517--Retirement Incentive Program (RIP) providing PERS members (who were eligible to retire) an incentive to terminate between June 25, 1993 and December 31, 1993. Local government employers participated through election on or before June 1, 1993. The employer purchased, on the members' behalf, up to three years of "1-for-5" additional service for any retirement eligible member who terminated employment during the window. A total of 899 members took advantage of the program (630

from 32 state agencies, 95 from 6 universities, and 173 from 48 local government agencies). The employer has up to 10 years to complete the purchases and is charged 8% interest on the unpaid balance. RIP contributions (including interest) received during fiscal year 1994 equalled $9,330,553.73.

F. REFUND OF CONTRIBUTIONS

If a member leaves covered employment before retirement, member contributions plus accrued interest earnings may be refunded to the member. If the member returns to service and repays the withdrawn contributions plus the interest the contributions would have earned had they remained on deposit, membership service is fully restored.

3. CONTRIBUTION RATES

A. MEMBER CONTRIBUTIONS

Employee and employer contribution rates are established by state law and may be amended only by the State of Montana Legislature. The contribution rate for fiscal years 1993 and 1994 was 6.55% and 6.7%, respectively. Contributions are deducted from each member's gross monthly compensation remitted by participating employers. An individual account is maintained for each member's contributions and interest allocations until a retirement or a refund request is processed.

B. EMPLOYER CONTRIBUTIONS

The employer contribution rate for fiscal year 1993 was 6.55%. During fiscal year 1994, each state, university system, and participating local government employer contributed 6.7% of their total PERS-covered payroll to the retirement system.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & PLAN ASSET MATTERS

1. METHOD OF ACCOUNTING

The PERS is included in the State of Montana's financial statements as a pension trust fund. The accounting records and financial statements prepared by the Public Employees' Retirement Division (PERD) use the fund accounting principals based on the accrual basis of accounting. The accrual method records expenses when the liability is incurred and revenues are recorded in the accounting period in which they are earned and

become measurable.

2. VALUATION OF INVESTMENTS

Investments of the fund are invested in four major areas: Short Term Investment Pool (STIP), Montana Common Stock Pool (Mont-Comp), Securities, and Mortgages.

A. *STIP* is carried at cost and is currently valued at $100.00 per unit plus income accrued since the last distribution. Income is distributed on the last business day of the month and the Public Employees' Retirement Board elects to have all STIP income automatically reinvested.

B. *MONT-COMP* is carried at cost for financial reporting purposes. Mont-Comp's unit value is calculated once a month at the close of the last business day of the month and is based upon the market value of the equity holdings. The PERD can only buy or sell units on the first business day of the month. Investment income is distributed to the PERS on the last business day of the month. This distribution is based on the full accrual method. Therefore, all dividends and interest accrued during the month are based on the number of outstanding units.

C. *SECURITIES* are recorded at book value (original costs adjusted for discount and premium amortization). Premiums and discounts are amortized using the straight-line method over the life of the securities. Bond swaps involve trading one bond for another bond having the same par value for the purpose of enhancing each fund's portfolio content and yield. Gains or losses from bond swaps are deferred and amortized over the shorter of either the remaining life of the bonds sold or the life of the replacement bonds purchased.

D. *MORTGAGES* have an average life of eight years which is used for the amortization of mortgage discounts.

The following is the listing of investments at fiscal year end 1994:

PERS INVESTMENTS		
Type	Cost	Market
Corporate Securities	$444,478,407	$440,602,791
US Government Securities	257,756,492	249,439,218
Canadian Securities	41,210,879	41,600,960
Mortgages	58,605,342	58,605,342
Short Term Investment Pool	41,769,900	41,769,900
MT Convertible Pool	40,321,324	38,254,615
Mont-Comp (Common Stock)	269,241,497	432,471,601
PERS Building (less depr)	151,204	151,204
Land	25,000	25,000
Leveraged Buy-Outs	12,513,113	20,424,000
Venture Capital	10,171,301	10,693,283
Deferred Gains/(Losses)	1,661,565	1,661,565
TOTAL INVESTMENTS	**$1,177,906,024**	**$1,335,699,479**

C. FUNDING STATUS & PROGRESS

The "pension benefit obligation" is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the PERS's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons with other public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the PERS, discussed in D below.

The pension benefit obligation was determined as part of the required actuarial valuation at June 30, 1994. Significant actuarial assumptions used include:

1. a rate of return on investment of present and future assets of 8% compounded annually,
2. projected salary increases of 6.25% compounded annually, attributable to inflation,
3. no projected merit increases, *and*
4. no changes in post-retirement benefits.

At June 30, 1994 the unfunded pension benefit obligation for the PERS was $ 273,922,453 as follows:

ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS		
INACTIVES:		
Current retirants & beneficiaries	$678,478,597	
Terminated vested participants	37,787,285	
Total Inactive		$716,265,882
ACTIVE MEMBERS:		
Accumulated member contributions	$364,674,936	
Employer-financed vested	373,444,172	
Employer-financed non-vested	21,596,078	
Total Active Members		$759,715,186
TOTAL PENSION BENEFIT OBLIGATION:		$1,475,981,068
NET ASSETS AVAILABLE FOR BENEFITS		
COST:		$1,202,058,615
MARKET:		$1,366,859,417
TOTAL UNFUNDED PENSION BENEFIT OBLIGATION:		$ 273,922,453
COVERED PAYROLL:		$ 572,973,634

The actuarial assumptions used in the valuation of June 30, 1993 were modified in the June 30, 1994 valuation (see *Actuarial Section in the Public Employees' Retirement Board's 1994 Annual Financial Report* for complete list of assumptions). The net effect of the assumption changes was an increase of $21,805,466 or 1.47% in the Projected Pension Benefit Obligation.

D. CONTRIBUTIONS REQUIRED & CONTRIBUTIONS MADE

The PERS funding policy provides for periodic employer and employee contributions at rates established by state law. The contribution requirements are not actuarially determined; however, an actuary does determine the actuarial implications of the funding requirement in a biennial actuarial valuation. The last actuarial valuation, at July 1, 1994, determined that the regular

contribution rate is sufficient to amortize the unfunded past service liability over a period of 16.12 years. This period has decreased from 18.25 years in 1992. The actuarial method used to determine the implications of the statutory funding level is the entry age normal funding method, with both normal cost and amortization of the unfunded accrued liability determined as a level percentage of payroll. Covered payroll totalled $572,973,634.

Contributions to the system for the year ending June 30, 1994 were as follows:

	Amount	Actual % of Compensation	Required % of Compensation
Employer	$38,409,529	6.71	6.70
Employee	41,216,594	7.19	6.70
RIP	9,330,554	1.63	NA
Total	$88,956,677	15.53	

These contributions are applied as follows:

	Amount	% of Compensation
Normal Cost	$58,500,608	10.21
Amortization of Unfunded Liability	41,216,594	5.32
Total	$88,956,677	15.53

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed in C above. There were no changes made in the method used to determine contribution requirements during the current year. Also, there were no changes in the benefit provisions.

E. TEN-YEAR HISTORICAL TREND INFORMATION

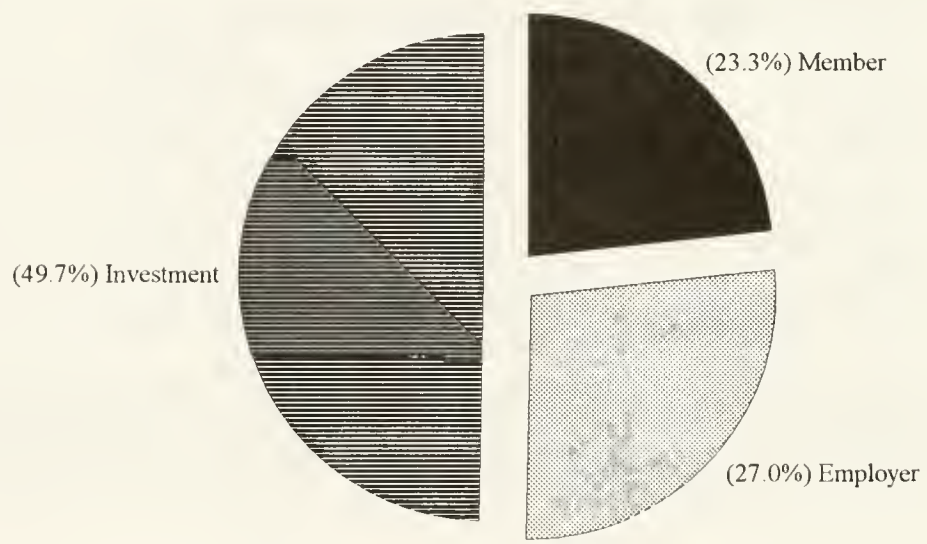
Ten-year historical trend information (to the extent available) designed to provide information about the Public Employees' Retirement System progress made in accumulating sufficient assets to pay benefits when due is presented on pages 30 through 32.

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
COMPARATIVE SUMMARY OF REVENUES BY SOURCE

Fiscal Year	*Contributions*		*Retirement*	*Investment*	
	*Member**	*Employer***	*Adjustment*	*Income****	*Total*
06/30/85	25,396,735	26,416,122	0	48,275,253	100,088,110
06/30/86	26,402,314	27,959,431	0	58,592,716	112,954,461
06/30/87	26,950,278	27,780,197	0	63,402,152	118,132,627
06/30/88	26,550,730	27,051,103	0	64,602,096	118,203,929
06/30/89	27,949,134	28,278,455	0	72,187,744	128,415,333
06/30/90	32,557,391	30,468,668	0	77,924,143	140,950,202
06/30/91	32,528,300	31,239,943	0	80,628,734	144,396,977
06/30/92	36,166,558	33,864,992	1,379,402	85,676,533	157,087,485
06/30/93	38,941,162	36,747,235	1,502,519	95,695,335	172,886,251
06/30/94	**41,274,527**	**47,765,907**	**0**	**87,946,617**	**176,987,051**

REVENUES FOR FISCAL YEAR 94



*** Includes Interest Reserve Buyback.**

**** Includes Retirement Incentive Program, Late Report Penalties, & Membership Fees.**

***** Includes Rental Receipts & Common Stock Dividends.**

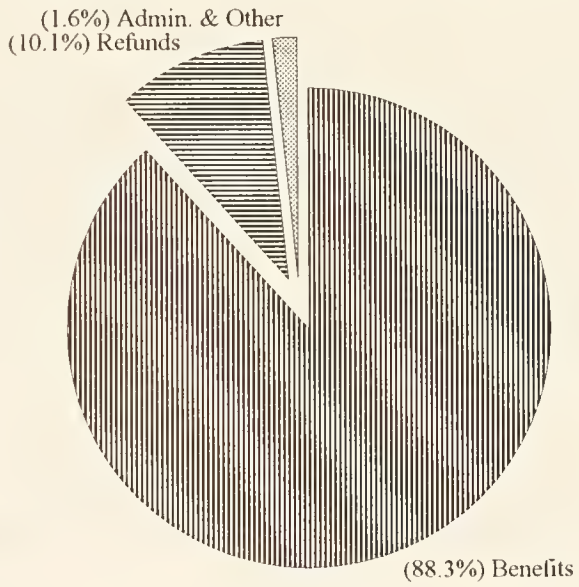
Contributions were made in accordance with actuarially determined and statutory contribution requirements.

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
COMPARATIVE SUMMARY OF EXPENSES BY TYPE

Fiscal Year	*Benefits*	*Refunds**	*Admin Expenses***	*Other****	*Total*
06/30/85	31,237,495	8,428,750	669,816	122,372	40,458,433
06/30/86	36,595,794	8,195,090	767,312	2,917,140	48,475,336
06/30/87	39,092,230	8,547,578	901,532	(44,798)	48,496,542
06/30/88	43,899,458	8,986,375	944,886	254,846	54,085,565
06/30/89	46,270,098	11,403,305	957,233	376,377	59,007,013
06/30/90	50,541,097	10,093,440	997,001	471,430	62,102,968
06/30/91	54,154,119	9,542,122	993,342	1,232,919	65,922,502
06/30/92	59,015,587	8,313,344	1,389,371	135,157	68,853,459
06/30/93	62,856,489	9,025,427	1,210,692	(246,736)	72,845,872
06/30/94	**73,012,882**	**8,323,105**	**1,321,621**	**19,610**	**82,677,218**

EXPENSES FOR FISCAL YEAR 94



***Includes Interest on Refunds**

****Includes Investment Expense**

*****Includes Prior Year Adjustments and Capitalized Equipment**

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS
(In millions of dollars)

Fiscal Year	*Net Assets Available For Benefits**	*Pension Benefit Obligation*	*Percent Funded*	*Unfunded PBO*	*Annual Covered Payroll*	*Unfunded PBO As A Percent Of Covered Payroll*
1988+	$692.7	$945.7	73.2%	$253.0	$466.2	54.3%
1989++	762.2	1042.2	73.1%	280.0	471.2	59.4%
1990	841.0	1093.8	76.9%	252.8	476.6	53.0%
1991	919.5	1173.9	78.3%	254.4	510.4	49.8%
1992	1007.7	1294.7	77.8%	287.0	548.1	52.4%
1993	1107.7	1405.9	78.8%	298.1	561.4	53.1%
1994+++	**1202.1**	**1476.0**	**81.4%**	**273.9**	**573.0**	**47.8%**

Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.

\+ Net effect of changes in actuarial assumptions decreased PBO by $4,308,294.
++ Net effect of changes in benefit provisions increased PBO by $54,341,102.
+++ Net effect of changes in actuarial assumptions (due to 1994 Experience Study) increased PBO by $21,805,466.

* Net Assets at cost.

This comparative information is only available from FY88 to FY94.

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS

FISCAL YEAR	REVENUES	EXPENSES	ANNUAL ADDITIONS	NET ASSETS AVAILABLE
06/30/85	100,088,110	40,458,433	59,629,677	494,510,774
06/30/86	112,954,461	48,475,336	64,479,125	558,989,899
06/30/87	118,132,627	48,496,542	69,636,085	628,625,984
06/30/88	118,203,929	54,085,565	64,118,364	692,744,348
06/30/89	128,415,333	59,007,013	69,408,320	762,152,668
06/30/90	140,950,202	62,102,968	78,847,234	840,999,902
06/30/91	144,396,977	65,922,502	78,474,475	919,474,377
06/30/92	157,087,485	68,853,459	88,234,026	1,007,708,403
06/30/93	172,886,251	72,845,872	100,040,379	1,107,748,782
06/30/94	**176,987,051**	**82,677,218**	**94,309,833**	**1,202,058,615**

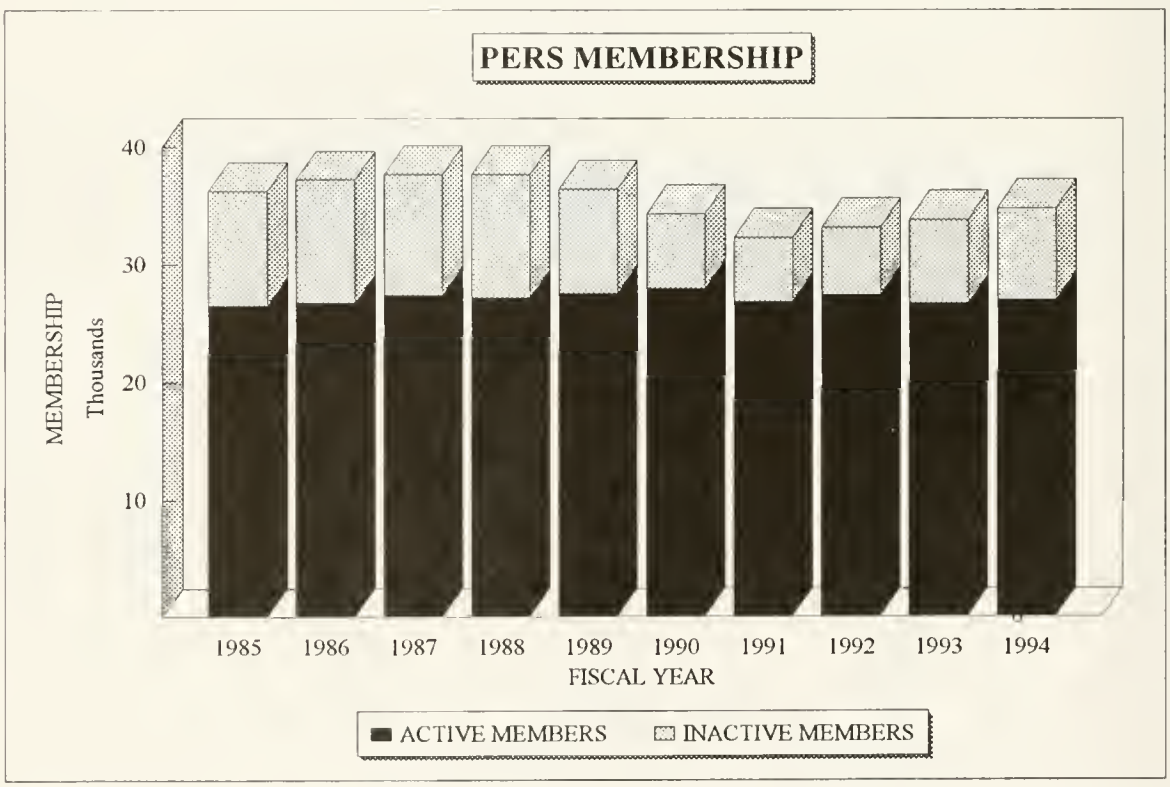
STATUTORY CONTRIBUTION RATES

FISCAL YEAR	EMPLOYEE PERCENT	EMPLOYER PERCENT
1979-1981	6.00	6.00
1982-1983	6.00	6.32
1984-1989	6.00	6.417
1990	6.15	6.417
1991	6.30	6.417
1992	6.417	6.417
1993	6.55	6.55
1994	**6.70**	**6.70**

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

MEMBERSHIP

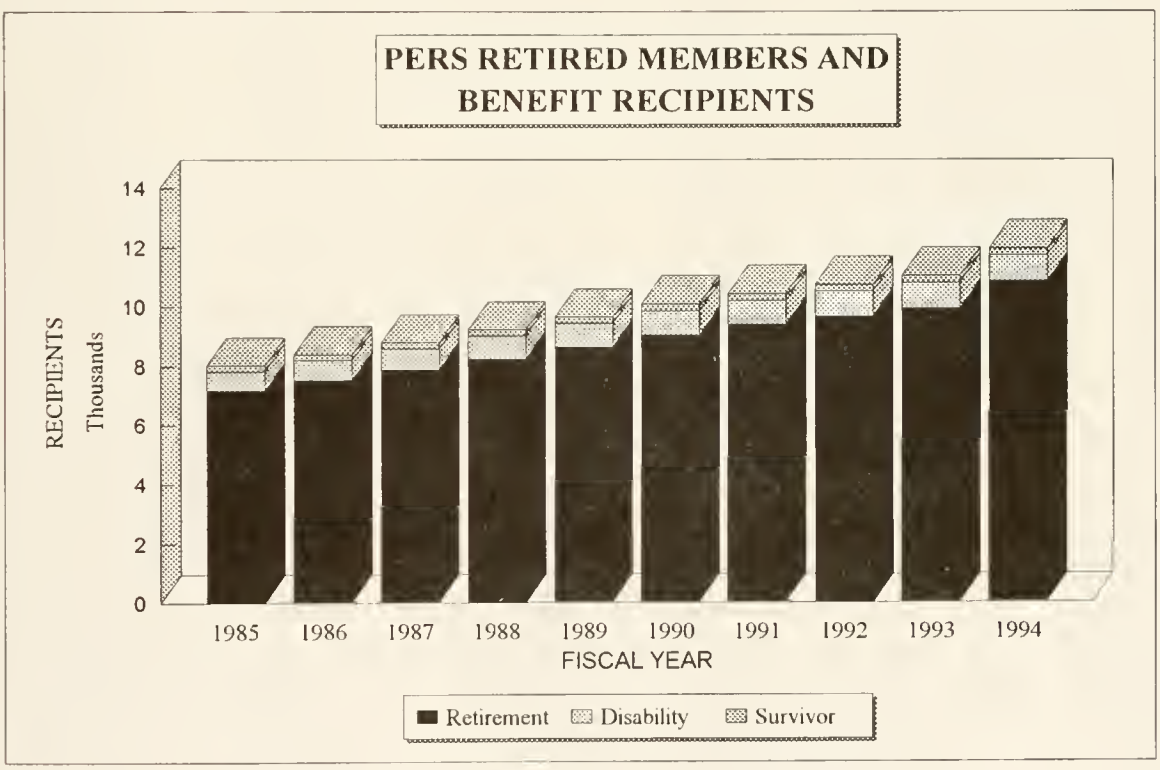
Fiscal Year	*Active Members*	*Inactive Members*	*Total*
06/30/85	26,520	9,715	36,235
06/30/86	26,767	10,462	37,229
06/30/87	27,418	10,276	37,694
06/30/88	27,191	10,514	37,705
06/30/89	27,614	8,811	36,425
06/30/90	28,017	6,318	34,335
06/30/91	26,908	5,431	32,339
06/30/92	27,473	5,738	33,211
06/30/93	26,727	7,133	33,860
06/30/94	**27,044**	**7,787**	**34,831**



STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

RETIRED MEMBERS AND BENEFIT RECIPIENTS

Fiscal Year	*Retirement*	*Disability*	*Survivor*	*Total*
06/30/85	7,176	654	195	8,025
06/30/86	7,544	670	192	8,406
06/30/87	7,893	704	205	8,802
06/30/88	8,252	762	210	9,224
06/30/89	8,645	794	213	9,652
06/30/90	9,044	821	221	10,086
06/30/91	9,395	810	224	10,429
06/30/92	9,680	831	223	10,734
06/30/93	9,942	850	236	11,028
06/30/94	**10,853**	**867**	**241**	11,961



STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
PARTICIPATING EMPLOYERS

STATE AGENCIES:

LEGISLATIVE AUDITOR
LEGISLATIVE FISCAL ANALYST
LEGISLATIVE COUNCIL
SENATE
HOUSE OF REPRESENTATIVES
ENVIRONMENTAL QUALITY COUNCIL
CONSUMER COUNSEL
SUPREME COURT
GOVERNOR'S OFFICE
SECRETARY OF STATE
COMMR OF POLITICAL PRACTICES
STATE AUDITOR'S OFFICE
OFFICE OF PUBLIC INSTRUCTION
BILLINGS VO TECH CTR
BUTTE VO TECH CENTER
GREAT FALLS VO TECH CENTER
HELENA VO TECH CENTER
MISSOULA VO TECH CENTER
CRIME CONTROL DIVISION
HWY TRAFFIC SAFETY DIVISION
DEPT OF JUSTICE
DEPT OF PUBLIC SERVICE REG
BOARD OF PUBLIC EDUCATION
COMMISSIONER OF HIGHER ED
SCHOOL FOR THE DEAF & BLIND
MONTANA ARTS COUNCIL
STATE LIBRARY COMMISSION
MONTANA COUNCIL ON VOC ED
MONTANA HISTORICAL SOCIETY
DEPT OF FISH WILDLIFE & PARKS
DEPT OF HEALTH & ENVIRON SCI
DEPT OF TRANSPORTATION
DEPT OF STATE LANDS
DEPT OF LIVESTOCK
DEPT OF NATURAL RES & CONSERV
DEPT OF REVENUE
DEPT OF ADMINISTRATION
STATE COMP INSURANCE FUND
PUBLIC EMPLOYEES' RETIREMENT DIV
TEACHERS' RETIREMENT DIVISION
DEPT OF AGRICULTURE
DEPT OF CORRECTIONS & HUMAN SCVS
DEPT OF COMMERCE
DEPT OF LABOR & INDUSTRY
DEPT OF MILITARY AFFAIRS
DEPT OF SOCIAL & REHAB SVC
DEPT OF FAMILY SERVICES

COUNTIES:

ANACONDA-DEER LODGE
BEAVERHEAD
BIG HORN
BLAINE
BROADWATER
CARBON
CARTER
CASCADE
CHOTEAU
CUSTER
DANIELS
DAWSON
FALLON
FERGUS
FLATHEAD
GALLATIN
GARFIELD
GLACIER
GOLDEN VALLEY
GRANITE
HILL
JEFFERSON
JUDITH BASIN
LAKE
LEWIS & CLARK
LIBERTY
LINCOLN
MADISON
MCCONE
MEAGHER
MINERAL
MISSOULA
MUSSELSHELL
PARK
PETROLEUM
PHILLIPS
PONDERA
POWDER RIVER
POWELL
PRAIRIE
RAVALLI
RICHLAND
ROOSEVELT
ROSEBUD
SANDERS
SHERIDAN
STILLWATER
SWEET GRASS
TETON
TOOLE
TREASURE
VALLEY
WHEATLAND
WIBAUX
YELLOWSTONE

CITIES & TOWNS:

BELGRADE
BELT
BIG TIMBER
BIG SANDY
BILLINGS
BOULDER
BOZEMAN
BRIDGER
BROADUS
BROWNING
BUTTE-SILVERBOW
CASCADE
CHESTER
CHINOOK
CHOTEAU
CIRCLE
COLUMBIA FALLS
COLUMBUS
CONRAD
CULBERTSON
CUTBANK
DEER LODGE
DILLON
DRUMMOND
EAST HELENA
EKALAKA
ENNIS
FAIRFIELD
FAIRVIEW
FORSYTH
FORT BENTON
FORT PECK
GERALDINE
GLASGOW
GLENDIVE
GRASS RANGE
GREAT FALLS
HAMILTON
HARDIN
HARLEM
HARLOWTON
HAVRE
HELENA
HOT SPRINGS
KALISPELL
LAUREL
LEWISTOWN
LIBBY
LIMA
LIVINGSTON
MALTA
MANHATTAN
MEDICINE LAKE
MELSTONE
MILES CITY
MISSOULA
NASHUA
PHILIPSBURG
PLAINS
PLENTYWOOD
POLSON
POPLAR
RED LODGE
RICHEY
RONAN
ROUNDUP
RYEGATE
SCOBEY
SHELBY
SHERIDAN
SIDNEY
STANFORD
STEVENSVILLE
SUNBURST
SUPERIOR
TERRY

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
PARTICIPATING EMPLOYERS
(continued)

THOMPSON FALLS
TOWNSEND
TROY
TWIN BRIDGES
VALIER
WHITE SULPHUR SPRINGS
WHITEFISH
WIBAUX
WINNETT
WOLF POINT

COLLEGES & UNIVERSITIES:

EASTERN MONTANA COLLEGE
MONTANA TECH
MONTANA STATE UNIVERSITY
NORTHERN MONTANA COLLEGE
UNIVERSITY OF MONTANA
WESTERN MONTANA COLLEGE

SCHOOL DISTRICTS:

SD 52, ABSAROKEE
SD 2, ALBERTON
SD 10, ANACONDA
SD 8, ARLEE
SD 32 J, ASHLAND
SD 45, AUGUSTA
SD 64, BAINVILLE
SD 12, BAKER
SD 5, BASIN
SD 3, BELFRY
SD 44, BELGRADE
SD 29, BELT
SD 4, BIGFORK
SD 38, BIGFORK
SD 2 & 11, BIG SANDY
SD 1, BIG TIMBER
SD 2, BILLINGS
SD 8--ELDER GROVE, BILLINGS
SD 23, BILLINGS
SD 26--LOCKWOOD, BILLINGS
SD 41--PIONEER, BILLINGS
SD 52, BILLINGS
SD 58--YELLOWSTONE, BILLINGS
SD 11--POTOMAC, BONNER
SD 14, BONNER
SD 7, BOULDER
SD 13, BOX ELDER
SD 87, BOX ELDER
SD 7, BOZEMAN
SD 27--MONFORTON, BOZEMAN
SD 41, BOZEMAN
SD 19, BRADY
SD 2, BRIDGER
SD 21, BROADVIEW
SD 55, BROCKTON
SD 9, BROWNING
SD 1, BUTTE
SD 3, CASCADE
SD 7, CHARLO
SD 33, CHESTER
SD 10, CHINOOK
SD 1, CHOTEAU PUBLIC SCHOOLS
SD 1, CIRCLE
SD 1, CLANCY
SD 27--MONTANA CITY, CLANCY
SD 32, CLINTON
SD 19, COLSTRIP
SD 2--DEER PARK, COLUMBIA FALLS
SD 6, COLUMBIA FALLS
SD 6, COLUMBUS
SD 33, CONDON
SD 10, CONRAD
SD 1, CORVALLIS
SD 17, CULBERTSON
SD 15, CUSTER
SD 15, CUT BANK
SD 9, DARBY
SD 6, LAME DEER
SD 1, DEER LODGE
SD 84, DENTON
SD 10, DILLON
SD 9, DIXON
SD 2, DODSON
SD 11 & 2, DRUMMOND
SD 2, DUPUYER
SD 50, EAST GLACIER
SD 9, EAST HELENA
SD 15, EKALAKA
SD 52, ENNIS
SD 13, EUREKA
SD 21, FAIRFIELD
SD 45, FAIRFIELD
SD 75, FAIRFIELD
SD 3 & 13, FAIRVIEW
SD 3 & 7, FLAXVILLE
SD 15 & 6, FLORENCE
SD 4, FORSYTH
SD 33--INGOMAR, FORSYTH
SD 14, FORTINE
SD 2, FRAZER
SD 40, FRENCHTOWN
SD 65, FROID
SD 30 & 6, FROMBERG
SD 21, GALATA
SD 35, GALLATIN
SD 7, GARDINER
SD 20, GARRISON SCHOOL
SD 44, GERALDINE
SD 58, GEYSER
SD 88--KREMLIN, GILFORD
SD 1, GLASGOW
SD 1, GLENDIVE
SD 33, GOLD CREEK
SD 27, GRASS RANGE
SD 1, GREAT FALLS
SD 3, HAMILTON
SD 16, HARDIN
SD 17, HARDIN
SD 12, HARLEM
SD 16, HARLOWTON
SD 23, HARRISON
SD 57, HAVRE
SD 16, HAVRE PUBLIC SCHOOLS
SD 50, HAYS
SD 1, HEART BUTTE
SD 1, HELENA
SD 2, HELENA
SD 4 & 28, HIGHWOOD
SD 7, HINSDALE
SD 25, HOBSON
SD 14, HOT SPRINGS
SD 1 & 7, HYSHAM
SD 7, JOLIET
SD 29-28J, JOPLIN
SD 1, JORDAN
SD 1, KALISPELL
SD 3--FAIRMONT-EGAN, KALISPELL
SD 5, KALISPELL
SD 10--CAYUSE, KALISPELL
SD 15, KALISPELL
SD 50--EVERGREEN, KALISPELL
SD 7 & 70, LAUREL
SD 41, LAVINA
SD 1, LEWISTOWN
SD 4, LIBBY
SD 12, LIMA
SD 38, LINCOLN
SD 4, LIVINGSTON
SD 2-27, LODGE GRASS
SD 7, LOLO
SD 23, LUSTRE
SD 14, MALTA
SD 3, MANHATTAN
SD 7, MEDICINE LAKE
SD 5, MELROSE
SD 26--GLEN, MELROSE
SD 64J, MELSTONE
SD 1, MILES CITY
SD 1, MISSOULA
SD 4--HELLGATE, MISSOULA
SD 23, MISSOULA
SD 44, MOORE
SD 9, MUSSELSHELL
SD 13, NASHUA
SD 10, NOXON
SD 9, OPHEIM
SD 29, OUTLOOK
SD 5, PARK CITY
SD 2, PEERLESS
SD 1, PHILIPSBURG
SD 1, PLAINS
SD 20, PLENTYWOOD
SD 55, PLEVNA
SD 23, POLSON
SD 9, POPLAR
SD 30, POWER
SD 2 & 3, PRYOR
SD 3, RAMSAY
SD 32, RAPELJE
SD 49, RAYNESFORD
SD 1, RED LODGE
SD 9-9, REED POINT

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
PARTICIPATING EMPLOYERS
(continued)

SD 78J & 2, RICHEY
SD 23, ROBERTS
SD 30, RONAN
SD 12, ROSEBUD
SD 55, ROUNDUP
SD 74, ROY
SD 90K--BLUE SKY, RUDYARD
SD 6, RYEGATE
SD 7 & 2, SAVAGE
SD 12, SACO
SD 5, SAND COULEE
SD 1, SCOBEY
SD 34, SEELEY LAKE
SD 20, SHAWMUT
SD 14, SHELBY
SD 37, SHEPHERD
SD 2--ALDER, SHERIDAN
SD 5, SHERIDAN
SD 5, SIDNEY
SD 13--LONE ROCK, STEVENSVILLE
SD 55--SUN RIVER VALLEY, SIMMS
SD 29, SOMERS
SD 28, ST IGNATIUS
SD 6 & 1, ST REGIS
SD 12, STANFORD
SD 2, STEVENSVILLE
SD 2, SUNBURST
SD 3, SUPERIOR
SD 73, SWAN LAKE
SD 5, TERRY
SD 2, THOMPSON FALLS
SD 24, THREE FORKS
SD 1 & 7, TOWNSEND
SD 6, TROUT CREEK
SD 1, TROY
SD 43, TURNER
SD 7, TWIN BRIDGES
SD 85, ULM
SD 18, VALIER
SD 74, VAUGHN
SD 7, VICTOR SCHOOLS
SD 69, WEST YELLOWSTONE
SD 3, WESTBY
SD 8, WHITE SULPHUR SPRINGS
SD 4 & 47, WHITEHALL
SD 44, WHITEFISH
SD 58, WHITEFISH
SD 20, WHITEWATER
SD 6, WIBAUX
SD 15-17, WILLOW CREEK
SD J12-5, WILSALL
SD 115, WINIFRED
SD 159, WINNETT
SD 3, WOLF POINT
SD 45, WOLF POINT
SD 24, WORDEN
SD 29, WYOLA

HIGH SCHOOLS:

BEAVERHEAD COUNTY HIGH SCHOOL
CARTER COUNTY HIGH SCHOOL
DAWSON COUNTY HIGH SCHOOL
GARFIELD COUNTY HIGH SCHOOL
JEFFERSON HIGH SCHOOL
MISSOULA COUNTY HIGH SCHOOL
POWDER RIVER COUNTY HIGH SCHOOL
POWELL COUNTY HIGH SCHOOL
SWEET GRASS COUNTY HIGH SCHOOL

OTHER:

BEAR PAW COOPERATIVE
BELGRADE RURAL FIRE DISTRICT
BERT MOONEY AIRPORT AUTHORITY
BIG SKY EDUCATIONAL COOP
BIG SKY SPECIAL NEEDS COOP
BIGFORK WATER & SEWER
BILLINGS HOUSING AUTHORITY
BITTERROOT IRRIGATION DISTRICT
CASCADE CO CONSERVATION DIST
CENTRAL MT SPEC ED COOP
CHOTEAU COUNTY CONSERV DISTRICT
CROWN HILL CEMETERY DISTRICT
DAWSON COLLEGE
DEER LODGE CO HEAD START PRGM
DIST XI HUMAN RESRCE COUNCIL, MSLA
EAST BENCH IRRIGATION
EAST YELLOWSTONE COUNTY SEC
FALLON MEDICAL COMPLEX
FERGUS CO CONSERVATION DIST
FLATHEAD CONSERVATION DISTRICT
FLATHEAD COUNTY SPECIAL COOP
FLATHEAD JOINT BOARD OF CONTROL
FLATHEAD MUNICIPAL AIRPORT AUTH
FLATHEAD VALLEY COMM COLLEGE
FORT SHAW IRRIGATION DISTRICT
GALLATIN AIRPORT AUTHORITY
GALLATIN CONSERVATION DIST
GALLATIN-MADISON SEC
GARDINER PARK WATER DISTRICT
GLASGOW IRRIGATION DISTRICT
GOLDEN TRIANGLE COMMUNITY MHC
GRANITE CO MEM HOSP & NRSG HOME
GREAT FALLS INTERN'L AIRPORT
GREENFIELDS IRRIGATION DISTRICT
HELENA HOUSING AUTHORITY
HELENA JT CITY-CO AIRPORT BOARD
HELENA VALLEY IRRIGATION DISTRICT
HILL COUNTY PUBLIC CEMETERY DIST
HOUSING AUTHORITY OF ANACONDA
HOUSING AUTHORITY OF BUTTE
HOUSING AUTHORITY OF GLASGOW
HUMAN RESOURCES COUNCIL DIST XII
JUDITH BASIN CONSERVATION DIST
LAKESIDE COUNTY SEWER DISTRICT
LEWIS & CLARK LIBRARY
LINCOLN COUNTY RURAL FIRE DIST
LOCKWOOD RURAL FIRE DISTRICT 8
MALTA IRRIGATION DISTRICT
MENTAL HEALTH CENTER, BILLINGS
MILES CITY COMMUNITY COLLEGE
MISSOULA AREA SPEC ED COOP
MISSOULA COUNTY AIRPORT
MISSOULA RURAL FIRE DISTRICT
MONTANA TRADEPORT AUTHORITY
N MT JOINT REFUSE DISPOSAL DIST
NORTH CENTRAL LEARNING SPEC
PONDERA COUNTY CANAL & RSRV
PONDERA COUNTY CEMETERY DIST 2
PONDERA COUNTY COUNCIL ON AGING
PORT OF MONTANA AUTHORITY
PRAIRIE COUNTY HOSPITAL DISTRICT
PRAIRIE VIEW SPEC SVC COOP
PRICKLY PEAR SPECIAL SVCS COOP
RICHLAND COUNTY HOUSING AUTH
SANDERS SPEC ED COOP
SE MONTANA HEADSTART, MILES CITY
SOUTHWESTERN MONTANA SEC
TETON CO CEMETERY DISTRICT
TETON COUNTY CONSERVATION DIST
TRI COUNTY SPEC ED COOP
VICTOR WATER & SEWER
WHITEFISH HOUSING AUTHORITY
YELLOWSTONE CONSERVATION DIST
YELLOWSTONE IRRIGATION
YELLOWSTONE WEST CARBON SEC

MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM



Photo compliments of Tom Brodowy

STATE OF MONTANA

Office of the Legislative Auditor

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MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheet of the Municipal Police Officers' Retirement System as of June 30, 1994, and the related statement of revenues, expenses, and changes in fund balance for each of the two fiscal years ended June 30, 1994 and 1993, as shown on pages 42 through 51. The information contained in these financial statements is the responsibility of the system's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Municipal Police Offiers' Retirement System at June 30, 1994 and the results of its operations for the years ended June 30, 1994 and 1993 in conformity with generally accepted accounting principles.

The trend information following the notes to the financial statements on pages 52 through 54 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The other data included in this report have not been audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

December 2, 1994

STATE OF MONTANA
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

BALANCE SHEET

JUNE 30, 1994

ASSETS	
Cash In Treasury	$59,215
Interest Receivable	781,829
Accounts Receivable	2,364,987
Corporate Securities, at amortized cost (market value $19,898,522)	20,457,880
U.S. Government Securities, at amortized cost (market value $15,190,851)	15,657,540
Canadian Securities, at amortized cost (market value $1,797,193)	1,590,121
Short Term Investment Pool	1,187,700
Common Stock, at cost (market value $13,279,575)	9,745,777
Leveraged Buy-Outs, at cost (market value $500,522)	500,522
Deferred Gains/(Losses)	(73,573)
Total Assets	**$52,271,998**
LIABILITIES	
Accounts Payable	42,441
Net Assets Available For Benefits	**$52,229,557**
FUND BALANCE	
Actuarial present value of projected benefits payable:	
to current retirants and beneficiaries	$50,729,081
to terminated vested participants	205,098
Actuarial present value of credited projected benefits for active employees:	
Member contributions	10,448,001
Employer-financed	27,702,696
Total actuarial present value of credited projected benefits	89,084,876
Unfunded actuarial present value of credited projected benefits	(36,855,319)
Total Fund Balance	**$52,229,557**

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE

FOR FISCAL YEARS ENDED JUNE 30, 1994 AND JUNE 30, 1993

	1994	*1993*
REVENUES		
Retirement Contributions		
Member	$1,377,114	$1,015,129
Employer	1,916,976	2,282,204
State*	3,979,086	3,591,866
Interest Reserve Buyback	0	380
Investment Income	3,484,629	3,383,897
Common Stock Dividends	341,656	293,049
Total Revenues	**$11,099,461**	**$10,566,525**
EXPENSES		
Benefit Payments	$6,212,782	$5,907,705
Refund of Member Contributions	54,297	94,690
Interest On Refunds	4,109	24,489
Employer Refund	0	4,399
Administrative Expense	26,385	24,388
Investment Expense	5,747	5,557
Total Expenses	**$6,303,320**	**$6,061,228**
OTHER FINANCING SOURCES - (USES)		
Prior Year Adjustments	$0	$1,625,371
Excess Of Revenues Over Expenses	4,796,141	6,130,668
Fund Balance Beginning Of Year	47,433,416	41,302,748
Fund Balance End Of Year	**$52,229,557**	**$47,433,416**

***Includes Retirement Adjustment**

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

A. PLAN DESCRIPTION

1. PLAN MEMBERSHIP

The Public Employees' Retirement Board is the administrator of the Municipal Police Officers' Retirement System (MPORS), a statewide retirement plan established in 1974 in accordance with Title 19, chapters 2 & 9 of the Montana Code Annotated to provide pension benefits for police officers (and their survivors) employed by first and second class cities and other cities that wish to adopt the Plan. The MPORS is a multiple-employer, cost-sharing defined benefit plan. Benefits are vested after ten years of membership service.

MPORS MEMBERSHIP DATA

	June 30, 1994	June 30, 1993
ACTIVE MEMBERS BY EMPLOYER:		
Anaconda	23	20
Baker	3	4
Billings	104	103
Bozeman	30	28
Butte	38	40
Columbia Falls	6	7
Glasgow	9	7
Glendive	9	12
Great Falls	64	64
Havre	17	16
Helena	42	40
Kalispell	25	23
Lewistown	12	11
Livingston	11	12
Miles City	11	12
Missoula	70	64
Plains	2	2
Red Lodge	4	5
18 EMPLOYERS TOTAL EMPLOYEES	**480**	**470**
ACTIVE MEMBERS:		
Vested	197	198
Non-vested	283	272
TOTAL	**480**	**470**
INACTIVE MEMBERS:		
Vested	3	6
Non-vested	25	16
TOTAL	**28**	**22**
BENEFIT RECIPIENTS:		
Service Retirements	348	334
Disability Retirements	108	105
Survivor Benefits	26	26
TOTAL	**482**	**465**

2. BENEFIT PROVISIONS

A. PENSION BENEFITS

Benefit provisions are established by state law and may be modified only by the State of Montana Legislature. A member may retire with a service retirement benefit after completing at least ten years of membership service and reaching age 50, *or* twenty years of membership service regardless of age. The retirement benefit, payable monthly for life, is based on the following formulas:

MPORS BENEFIT FORMULA

1) For members hired prior to July 1, 1977:
2.5% X Base Monthly Salary X Years of Service

2) For members hired on or after July 1, 1977:
2.5% X Final Average Salary (FAS) X Years of Service

For members hired prior to July 1, 1977, benefits are calculated based on Base Monthly Salary which is the average monthly compensation in their final year of service. For members hired on or after July 1, 1977, benefits are calculated based on FAS which is the average of the member's regular monthly pay during the last 36 months of service.

B. DEFERRED BENEFITS

A vested member leaving covered employment prior to 20 years of service is eligible for a service retirement benefit upon reaching age 50.

C. DISABILITY BENEFITS

A member who becomes totally and permanently disabled is eligible for disability retirement. The disability benefit is one-half of FAS plus 1% of FAS for each year of service over 20 years up to a maximum of 60% of FAS.

D. SURVIVOR BENEFITS

Upon the death of an active member, the surviving spouse (or dependent

child(ren), if there is no surviving spouse) is entitled to a monthly benefit equal to the amount of the member's benefit at the time of death. After the death of a retired member, the survivor continues to receive the same benefit paid to the member.

E. BENEFIT ENHANCEMENTS AFTER RETIREMENT

The monthly retirement, disability or survivor's benefit must be at least one-half of the salary of a newly confirmed police officer employed by the city that last employed the member. If a benefit falls below that minimum, a supplemental benefit funded by monies from the insurance premium tax fund, is paid to the benefit recipients.

F. REFUND OF CONTRIBUTIONS

If a member leaves covered employment before retirement, member contributions plus accrued interest earnings may be refunded to the member. If the member returns to service and repays the withdrawn contributions plus the interest the contributions would have earned had they remained on deposit, membership service is fully restored.

3. CONTRIBUTION RATES

A. MEMBER CONTRIBUTIONS

Employee and employer contribution rates are established by state law and may be amended only by the State of Montana Legislature. Member contribution rates for fiscal year 1994 were set by statute at 7.8% (for members hired prior to July 1, 1975), 9.0% (for members hired between July 1, 1975 and June 30, 1979), and 10.5% (for members hired on and after July 1, 1979) of monthly compensation. Contributions are deducted from each member's salary and remitted by participating employers. The contribution rate for fiscal year 1993 was: 6.0/7.2/8.7 between July 1, 1992 and April 30, 1993 and 7.8/9.0/10.5 from May 1, 1993 through June 30, 1993. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

B. EMPLOYER CONTRIBUTIONS

During fiscal year 1994, each employer contributed 14.36% of their total MPORS-covered payroll to the retirement system on a monthly basis.

C. STATE CONTRIBUTIONS

The State contributes 15.66% of the total compensation for all covered police officers. A single annual payment is made from the insurance premium tax fund to the pension trust fund. The amount received for fiscal year 1993 was $2,057,445. The amount recognized for fiscal year 1994 is $2,109,548.

D. SUPPLEMENTAL BENEFIT CONTRIBUTIONS

A single annual payment is received from the State Auditor's office from the insurance premium tax fund. This additional contribution funds the supplemental retirement benefits for certain retired members and their survivors. The amount received for fiscal years 1993 and 1994 was $1,534,421 and $1,869,537, respectively.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & PLAN ASSET MATTERS

1. METHOD OF ACCOUNTING

The MPORS is included in the State of Montana's financial statements as a pension trust fund. The accounting records and financial statements prepared by the Public Employees' Retirement Division (PERD) use the fund accounting principals based on the accrual basis of accounting. The accrual method records expenses when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable.

2. VALUATION OF INVESTMENTS

Investments of the fund are invested in four major areas: Short Term Investment Pool (STIP), Montana Common Stock Pool (Mont-Comp), Securities, and Mortgages.

A. *STIP* is carried at cost and is currently valued at $100.00 per unit plus income accrued since the last distribution. Income is distributed on the last business day of the month and the Public Employees' Retirement Board elects to have all STIP income automatically reinvested.

B. *MONT-COMP* is carried at cost for financial reporting purposes. Mont-Comp's unit value is calculated once a month at the close of the last business day of the month and is based upon the market value of the equity holdings. The PERD can only buy or sell units on the first business day of the month. Investment income is distributed to the MPORS on the last business day of the month. This

distribution is based on the full accrual method. Therefore, all dividends and interest accrued during the month are based on the number of outstanding units.

C. *SECURITIES* are recorded at book value (original costs adjusted for discount and premium amortization). Premium and discounts are amortized using the straight-line method over the life of the securities. Bond swaps involve trading one bond for another bond having the same par value for the purpose of enhancing each fund's portfolio content and yield. Gains or losses from bond swaps are deferred and amortized over the shorter of either the remaining life of the bonds sold or the life of the replacement bonds purchased.

D. *MORTGAGES* have an average life of eight years which is used for the amortization of mortgage discounts.

The following is the listing of investments at fiscal year end 1994:

MPORS INVESTMENTS

Type	Cost	Market
Corporate Securities	$20,457,880	$19,898,522
US Government Securities	15,657,540	15,190,851
Canadian Securities	1,590,121	1,797,193
Short Term Investment Pool	1,187,700	1,187,700
Mont-Comp (Common Stock)	9,745,777	13,279,575
Leveraged Buy-Outs	500,522	500,522
Deferred Gains/(Losses)	(73,573)	(73,573)
TOTAL INVESTMENTS	**$49,065,967**	**$51,780,790**

C. FUNDING STATUS & PROGRESS

The "pension benefit obligation" is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the MPORS's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons with other public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the MPORS's, discussed in D below.

The pension benefit obligation was determined as part of the required actuarial valuation at June 30, 1994. When applicable, significant actuarial assumptions used include:

1. a rate of return on investment of present and future assets of 8% compounded annually,
2. projected salary increases of 6% compounded annually, attributable to inflation,
3. no projected merit increases, *and*
4. no changes in post-retirement benefits.

At June 30, 1994 the unfunded pension benefit obligation for the MPORS was $ 36,855,319 as follows:

ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS		
INACTIVES:		
Current retirants & beneficiaries	$50,729,081	
Terminated vested participants	205,098	
Total Inactive		$50,934,179
ACTIVE MEMBERS:		
Accumulated member contributions	$10,448,001	
Employer-financed vested	22,270,355	
Employer-financed non-vested	5,432,341	
Total Active Members		$38,150,697
TOTAL PENSION BENEFIT OBLIGATION:		$89,084,876
NET ASSETS AVAILABLE FOR BENEFITS		
COST:		$52,229,557
MARKET:		$56,208,658
TOTAL UNFUNDED PENSION BENEFIT OBLIGATION:		$36,855,319
COVERED PAYROLL:		$13,395,046

The actuarial assumptions used in the valuation of June 30, 1993 were modified in the June 30, 1994 valuation (see *Actuarial Section in the Public Employees' Retirement Board's 1994 Annual Financial Report* for complete list of assumptions). The net effect of the assumption changes was an increase of $917,281 or 1.03% in the Projected Pension Benefit Obligation.

D. CONTRIBUTIONS REQUIRED & CONTRIBUTIONS MADE

The MPORS funding policy provides for periodic employer, employee, and state contributions at rates established by state law. The contribution requirements are not actuarially determined; however, an actuary does determine the actuarial implications of the funding requirement in a biennial actuarial valuation. The last actuarial valuation, at July 1, 1994, determined that the regular contribution rate is sufficient to amortize the unfunded past service liability over a period of 16.65 years. This period has decreased from 24.71 years in 1992. The actuarial method used to determine the implications of the statutory funding level is the entry age normal funding method, with both normal cost and amortization of the unfunded accrued liability determined as a level percentage of payroll. Covered payroll totalled $13,395,046.

Contributions to the system for the year ending June 30, 1994 were as follows:

	Amount	Actual % of Compensation	Require % of Compensation
Employer	$ 1,916,976	14.31	*14.36
Employee	1,377,114	10.28	9.10
State	**2,109,549	15.75	15.66
Total	$ 5,403,639	40.34	

* Average of the three contribution rates.
** Excluding reimbursement for post-retirement benefits.

These contributions are applied as follows:

	Amount	% of Compensation
Normal Cost	$ 3,020,583	22.55
Amortization of Unfunded Liability	2,383,056	17.79
Total	$ 5,403,639	40.34

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed in C above. There were no changes made in the method used to determine contribution requirements during the current year. Also, there were no changes in the benefit provisions.

E. TEN-YEAR HISTORICAL TREND INFORMATION

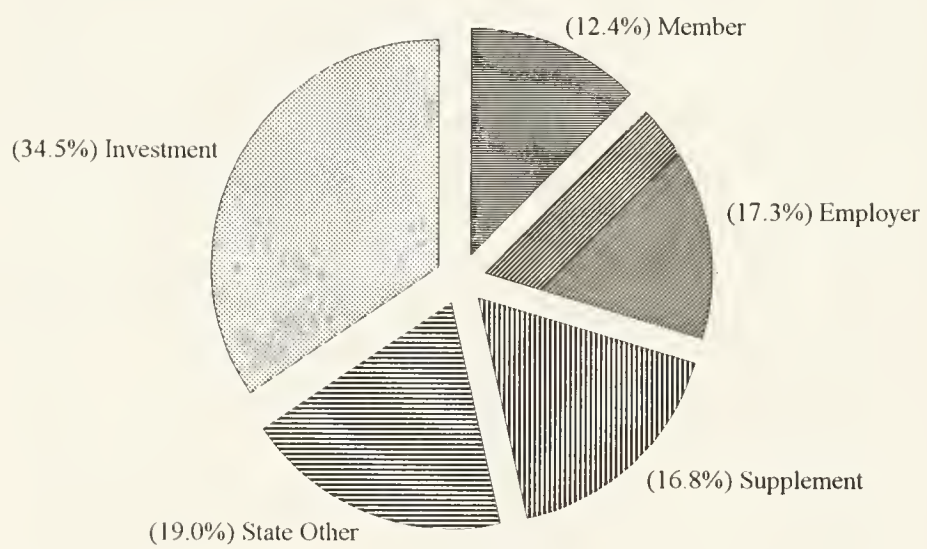
Ten-year historical trend information (to the extent available) designed to provide information about the MPORS progress made in accumulating sufficient assets to pay benefits when due is presented on pages 52 through 54.

STATE OF MONTANA
MUNICIPAL POLICE OFFICERS' RETIRMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
COMPARATIVE SUMMARY OF REVENUES BY SOURCE

Fiscal	*Contributions*		*State*		*Investment*	
Year	*Member**	*Employer*	*Supplement*	*Other***	*Income****	*Total*
06/30/85	577,408	1,306,400	877,824	1,223,420	1,893,642	5,878,694
06/30/86	631,450	1,201,219	913,374	1,425,692	2,499,684	6,671,419
06/30/87	638,083	1,237,493	961,504	1,537,632	2,519,097	6,893,809
06/30/88	671,626	1,254,341	1,003,643	1,573,901	2,559,971	7,063,482
06/30/89	670,186	1,409,323	1,178,523	1,603,474	2,855,989	7,717,495
06/30/90	714,044	1,341,047	1,207,851	1,648,599	3,016,789	7,928,330
06/30/91	777,844	1,458,306	1,067,736	1,727,359	3,168,815	8,200,060
06/30/92	927,199	1,634,448	1,214,965	1,986,480	3,260,388	9,023,480
06/30/93	1,015,509	2,282,204	1,534,421	2,057,445	3,676,946	10,566,525
06/30/94	**1,377,114**	**1,916,976**	**1,869,538**	**2,109,548**	**3,826,285**	**11,099,461**

REVENUES FOR FISCAL YEAR 94



*** Includes Interest Reserve Buyback.**

**** Includes percent of salary and retirement adjustment (SB226 - FY92 & FY93)**

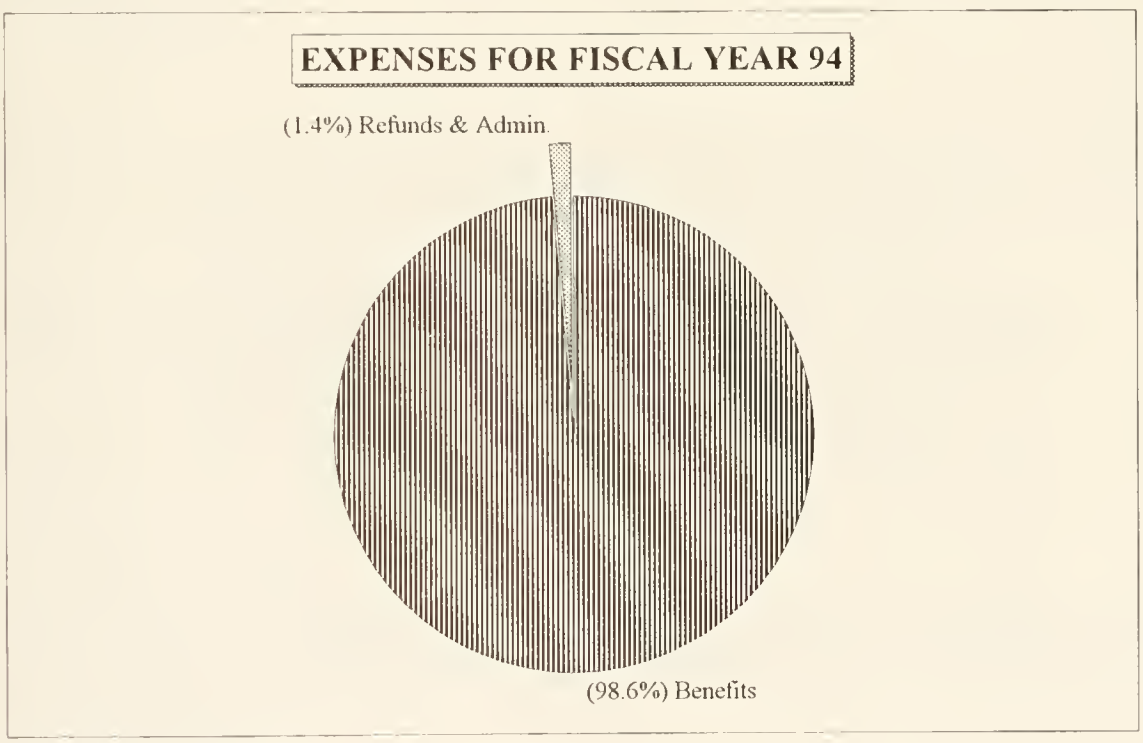
***** Includes Common Stock Dividends.**

Contributions were made in accordance with actuarially determined and statutory contribution requirements.

STATE OF MONTANA
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
COMPARATIVE SUMMARY OF EXPENSES BY TYPE

Fiscal Year	*Benefits*	*Refunds**	*Admin Expenses***	*Other****	*Total*
06/30/85	3,151,287	108,187	18,734	602,337	3,880,545
06/30/86	3,463,618	79,197	24,191	(2,613)	3,564,393
06/30/87	3,696,827	45,680	26,244	0	3,768,751
06/30/88	3,989,794	94,404	22,849	12,295	4,119,342
06/30/89	4,272,625	132,755	20,077	7,513	4,432,970
06/30/90	4,638,412	239,216	19,626	31,885	4,929,139
06/30/91	4,843,076	100,565	22,208	254,596	5,220,445
06/30/92	5,329,830	88,060	30,788	(25,252)	5,423,426
06/30/93	5,907,705	119,179	29,945	(1,620,972)	4,435,857
06/30/94	**6,212,782**	**58,406**	**32,132**	**0**	**6,303,320**



***Includes Interest on Refunds**
****Includes Investment Expense**
*****Includes Prior Year Adjustments**

STATE OF MONTANA
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS
(In millions of dollars)

Fiscal Year	*Net Assets Available For Benefits**	*Pension Benefit Obligation*	*Percent Funded*	*Unfunded PBO*	*Annual Covered Payroll*	*Unfunded PBO As A Percent Of Covered Payroll*
1988+	$28.4	$63.2	44.9%	$34.8	$9.8	355.1%
1989	31.7	66.5	47.7%	34.8	9.9	351.5%
1990	34.7	70.3	49.4%	35.6	10.5	339.0%
1991	37.7	76.0	49.6%	38.2	12.1	316.2%
1992	41.3	78.1	52.9%	36.8	11.4	322.9%
1993	47.4	84.2	56.3%	36.8	12.5	293.1%
1994++	**52.2**	**89.1**	**58.6%**	**36.9**	**13.4**	**275.1%**

Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.

+ Net effect of changes in actuarial assumptions increased PBO by $457,872.
++ Net effect of changes in actuarial assumptions (due to 1994 Experience Study) increased PBO by $917,281.

* Net Assets at cost.

This comparative information is only available from FY88 to FY94.

STATE OF MONTANA
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS

FISCAL YEAR	REVENUES	EXPENSES*	ANNUAL ADDITIONS	NET ASSETS AVAILABLE
06/30/85	5,878,694	3,880,545	1,998,149	19,247,539
06/30/86	6,671,419	3,564,393	3,107,026	22,354,565
06/30/87	6,893,809	3,768,751	3,125,058	25,479,623
06/30/88	7,063,483	4,119,342	2,944,141	28,423,764
06/30/89	7,733,095	4,432,970	3,300,125	31,723,889
06/30/90	7,928,329	4,929,139	2,999,190	34,723,079
06/30/91	8,200,060	5,220,445	2,979,615	37,702,694
06/30/92	9,023,480	5,423,426	3,600,054	41,302,748
06/30/93	10,566,525	4,435,857	6,130,668	47,433,416
06/30/94	**11,099,461**	**6,303,320**	**4,796,141**	**52,229,557**

***Includes Prior Year Adjustments**

STATUTORY CONTRIBUTION RATES

FISCAL YEAR	EMPLOYEE PERCENT	EMPLOYER PERCENT	STATE PERCENT
1979-1981	6.00/7.5	14.00	14.00
1982-1985	6.00/7.5	14.04	14.04
1986-1991	6.00/7.5	13.02	15.06
1992	6.00/7.2/8.7	13.92	15.66
7/1/92-4/30/93	6.00/7.2/8.7	13.92	15.66
5/1/93-6/30/93	7.8/9.0/10.5	13.92	15.66
1994	**7.8/9.0/10.5**	**14.36**	**15.66**

STATE OF MONTANA
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

MEMBERSHIP

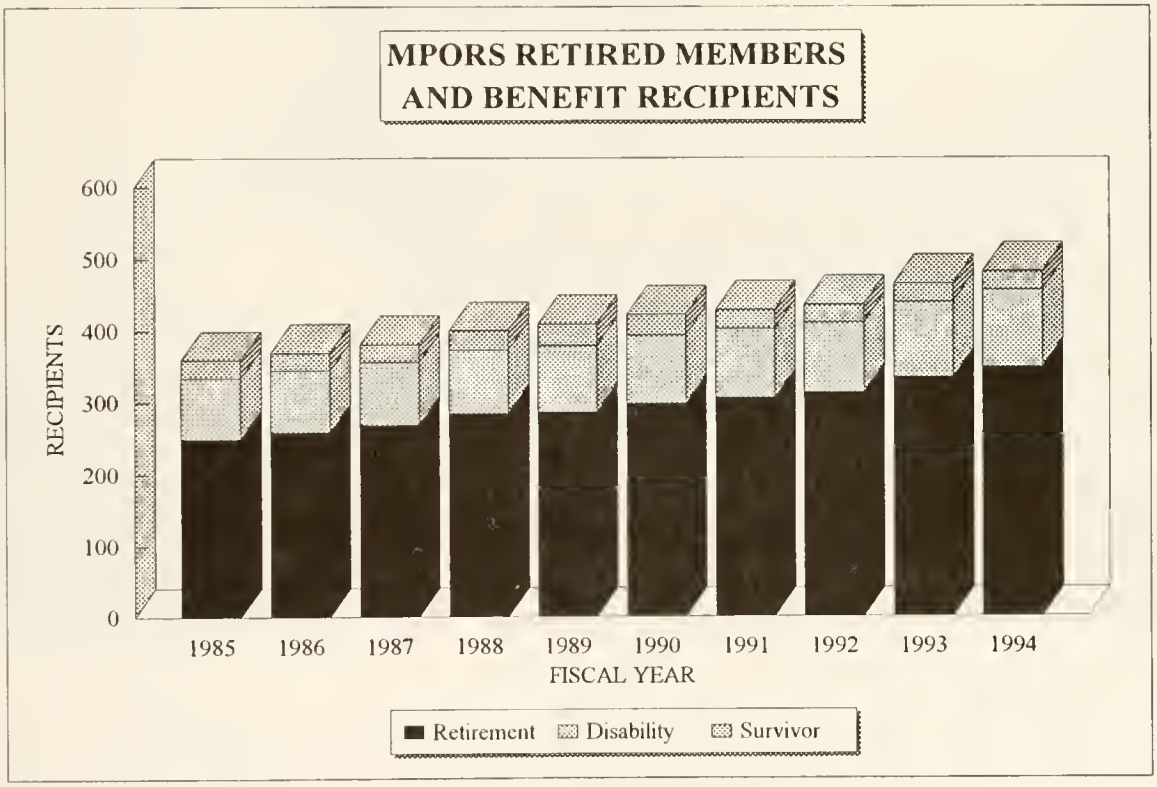
Fiscal Year	*Active Members*	*Inactive Members*	*Total*
06/30/85	436	7	443
06/30/86	436	7	443
06/30/87	436	12	448
06/30/88	427	12	439
06/30/89	434	10	444
06/30/90	441	9	450
06/30/91	445	12	457
06/30/92	453	16	469
06/30/93	470	22	492
06/30/94	**480**	**28**	508



STATE OF MONTANA
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

RETIRED MEMBERS AND BENEFIT RECIPIENTS

Fiscal Year	*Retirement*	*Disability*	*Survivor*	*Total*
06/30/85	250	84	25	359
06/30/86	258	86	25	369
06/30/87	268	88	25	381
06/30/88	284	89	27	400
06/30/89	286	93	30	409
06/30/90	297	96	29	422
06/30/91	305	97	27	429
06/30/92	312	99	25	436
06/30/93	334	105	26	465
06/30/94	**348**	**108**	**26**	482



GAME WARDENS' RETIREMENT SYSTEM



Photo compliments of Stan Coman

STATE OF MONTANA

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LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:
MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheet of the Game Wardens' Retirement System as of June 30, 1994, and the related statement of revenues, expenses, and changes in fund balance for each of the two fiscal years ended June 30, 1994 and 1993, as shown on pages 62 through 70. The information contained in these financial statements is the responsibility of the system's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Game Wardens' Retirement System at June 30, 1994 and the results of its operations for the years ended June 30, 1994 and 1993 in conformity with generally accepted accounting principles.

The trend information following the notes to the financial statements on pages 72 through 74 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The other data included in this report have not been audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

James Gillett, CPA
Deputy Legislative Auditor

December 2, 1994

STATE OF MONTANA
GAME WARDENS' RETIREMENT SYSTEM

BALANCE SHEET

JUNE 30, 1994

ASSETS	
Cash In Treasury	$28,272
Interest Receivable	193,453
Accounts Receivable	27,710
Corporate Securities, at amortized cost (market value $4,640,280)	4,780,331
U.S. Government Securities, at amortized cost (market value $4,975,585)	5,151,788
Canadian Securities, at amortized cost (market value $667,628)	639,986
Short Term Investment Pool	605,000
Common Stock, at cost (market value $4,740,617)	2,935,548
Leveraged Buy-Outs, at cost (market value $125,132)	125,132
Deferred Gains/(Losses)	(2,051)
Total Assets	**$14,485,169**
LIABILITIES	
Accounts Payable	4,393
Net Assets Available For Benefits	**$14,480,776**
FUND BALANCE	
Actuarial present value of projected benefits payable:	
to current retirants and beneficiaries	$9,236,113
to terminated vested participants	68,558
Actuarial present value of credited projected benefits for active employees:	
Member contributions	3,030,412
Employer-financed	3,559,803
Total actuarial present value of credited projected benefits	15,894,886
Unfunded actuarial present value of credited projected benefits	(1,414,110)
Total Fund Balance	**$14,480,776**

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
GAME WARDENS' RETIREMENT SYSTEM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE

FOR FISCAL YEARS ENDED JUNE 30, 1994 AND JUNE 30, 1993

	1994	*1993*
REVENUES		
Retirement Contributions		
Member	$225,593	$220,505
Employer	194,284	198,770
Retirement Adjustment	0	20,071
Investment Income	1,022,165	969,739
Common Stock Dividends	134,246	126,524
Fines And Forfeitures	247,481	273,958
Total Revenues	**$1,823,769**	**$1,809,567**
EXPENSES		
Benefit Payments	$928,238	$831,533
Refund of Member Contributions	0	5,542
Interest On Refunds	0	425
Administrative Expense	4,252	3,918
Investment Expense	1,497	1,541
Total Expenses	**$933,987**	**$842,959**
OTHER FINANCING SOURCES - (USES)		
Prior Year Adjustments	$0	$16,192
Excess Of Revenues Over Expenses	889,782	982,800
Fund Balance Beginning Of Year	13,590,994	12,608,194
Fund Balance End Of Year	**$14,480,776**	**$13,590,994**

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
GAME WARDENS' RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

A. PLAN DESCRIPTION

1. PLAN MEMBERSHIP

The Public Employees' Retirement Board is the administrator of the Game Wardens' Retirement System (GWRS), a statewide retirement plan established in 1963 in accordance with Title 19, chapters 2 & 8 of the Montana Code Annotated to provide pension benefits for state game wardens and warden supervisory personnel. The GWRS is a single-employer, defined benefit plan. Benefits are vested after ten years of membership service.

GWRS MEMBERSHIP DATA

	June 30, 1994	June 30, 1993
ACTIVE MEMBERS BY EMPLOYER:		
State	85	86
TOTAL	**85**	**86**
ACTIVE MEMBERS:		
Vested	47	51
Non-vested	38	35
TOTAL	**85**	**86**
INACTIVE MEMBERS:		
Vested	1	0
Non-vested	4	3
TOTAL	**5**	**3**
BENEFIT RECIPIENTS:		
Service Retirements	55	51
Disability Retirements	10	9
Survivor Benefits	4	4
TOTAL	**69**	**64**

2. BENEFIT PROVISIONS

A. PENSION BENEFITS

Benefit provisions are established by state law and may be modified only by the State of Montana Legislature. A member may retire with a service retirement benefit after completing twenty years of membership service and attaining the age of 50. The retirement benefit, payable monthly for life (with optional benefits available for the joint life of a contingent annuitant), is calculated as follows:

GWRS BENEFIT FORMULA

2% X Years of Service X Final Average Salary (FAS)

FAS is the member's highest average salary during any 36 consecutive months of membership service.

B. DEFERRED BENEFITS

A member involuntarily terminated with at least 10 years of service is eligible for a deferred benefit at age 55, provided the accumulated contributions are left on deposit. If the inactive member dies before applying for retirement benefits, the designated beneficiary(ies) is entitled to a refund of the member's contributions and interest.

C. DISABILITY BENEFITS

An active member who becomes totally and permanently disabled is eligible for a disability benefit. The amount of the benefit is either:

1) the actuarial equivalent of the service retirement benefit earned if ***non-service related***, *or*

2) for members with more than ten years of service and whose disability ***incurred in the line of duty***, a monthly benefit equal to one-half of the member's final average salary.

D. SURVIVOR BENEFITS

Upon the death of an active member of the system, survivors are entitled to

either:

1) in the case of a ***duty-related death,*** a monthly benefit equal to one-half of the member's final average salary *or*

2) in the case of ***death from other causes,*** a monthly benefit based upon the salary, age and service of the member. The survivor(s) may elect a refund of the member's accumulated contributions and interest in lieu of the monthly benefit.

E. BENEFIT ENHANCEMENTS AFTER RETIREMENT

Post retirement adjustments provide annual permanent monthly benefit increases funded from annual investment earnings exceeding the actuarially required 8% yield. These increases are paid to eligible recipients based on years of service, current age and the retirement option chosen. In January 1994, the average eligible recipient received an increase equal to 0.68% of benefits.

F. REFUND OF CONTRIBUTIONS

If a member leaves covered employment before retirement, member contributions plus accrued interest earnings may be refunded to the member. If the member returns to service and repays the withdrawn contributions plus the interest the contributions would have earned had they remained on deposit, membership service is fully restored.

3. CONTRIBUTION RATES

A. MEMBER CONTRIBUTIONS

Employee and employer contribution rates are established by state law and may be amended only by the State of Montana Legislature. The contribution rate for fiscal years 1993 and 1994 was 7.9% of total monthly compensation. Contributions are deducted from each member's salary and remitted by the employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

B. EMPLOYER CONTRIBUTIONS

The employer contribution rate for fiscal year 1993 was 7.15%. During fiscal year 1994, the State contributed an amount equal to 8.15% of total GWRS-

covered payroll to the retirement system on a monthly basis. 7.15% is payable from the same source used to pay the members' compensation and the remaining 1% from a portion of the fines & forfeited bonds related to fish and game violations.

C. FINES & FORFEITURES

All remaining collections from fines & forfeited bonds related to fish and game violations are deposited in the pension trust fund until such time as there is no longer any unfunded liability to the system. The total amount received from fines and forfeitures (including the 1% required employer contributions) for fiscal year 1994 was $247,480.59. The amount received for fiscal year 1993 was $273,958.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & PLAN ASSET MATTERS

1. METHOD OF ACCOUNTING

The GWRS is included in the State of Montana's financial statements as a pension trust fund. The accounting records and financial statements prepared by the Public Employees' Retirement Division (PERD) use the fund accounting principals based on the accrual basis of accounting. The accrual method records expenses when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable.

2. VALUATION OF INVESTMENTS

Investments of the fund are invested in four major areas: Short Term Investment Pool (STIP), Montana Common Stock Pool (Mont-Comp), Securities, and Mortgages.

A. *STIP* is carried at cost and is currently valued at $100.00 per unit plus income accrued since the last distribution. Income is distributed on the last business day of the month and the Public Employees' Retirement Board elects to have all STIP income automatically reinvested.

B. *MONT-COMP* is carried at cost for financial reporting purposes. Mont-Comp's unit value is calculated once a month at the close of the last business day of the month and is based upon the market value of the equity holdings. The PERD can only buy or sell units on the first business day of the month. Investment income is distributed to the GWRS on the last business day of the month. This distribution is based on the full accrual method. Therefore, all dividends and interest accrued during the month are based on the number of outstanding units.

C. *SECURITIES* are recorded at book value (original costs adjusted for discount and premiums amortization). Premium and discounts are amortized using the straight-line method over the life of the securities. Bond swaps involve trading one bond for another bond having the same par value for the purpose of enhancing each fund's portfolio content and yield. Gains or losses from bond swaps are deferred and amortized over the shorter of either the remaining life of the bonds sold or the life of the replacement bonds purchased.

D. *MORTGAGES* have an average life of eight years which is used for the amortization of mortgage discounts.

The following is the listing of investments at fiscal year end 1994:

GWRS INVESTMENTS

Type	Cost	Market
Corporate Securities	$4,780,331	$4,640,280
US Government Securities	5,151,788	4,975,585
Canadian Securities	639,986	667,628
Short Term Investment Pool	605,000	605,000
Mont-Comp (Common Stock)	2,935,548	4,740,617
Leveraged Buy-Outs	125,132	125,132
Deferred Gains/(Losses)	(2,051)	(2,051)
TOTAL INVESTMENTS	**$14,235,734**	**$15,752,191**

C. FUNDING STATUS & PROGRESS

The "pension benefit obligation" is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the GWRS's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons with other public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the GWRS, discussed in D below.

The pension benefit obligation was determined as part of the required actuarial valuation at June 30, 1994. Significant actuarial assumptions used include:

1. a rate of return on investment of present and future assets of 8% compounded annually,
2. projected salary increases of 6% compounded annually, attributable to inflation,
3. no projected merit increases, *and*
4. no changes in post-retirement benefits.

At June 30, 1994 the unfunded pension benefit obligation for the GWRS was $ 1,414,110 as follows:

ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS		
INACTIVES:		
Current retirants & beneficiaries	$ 9,236,113	
Terminated vested participants	68,558	
Total Inactive		$ 9,304,671
ACTIVE MEMBERS:		
Accumulated member contributions	$ 3,030,412	
Employer-financed vested	3,209,750	
Employer-financed non-vested	350,053	
Total Active Members		$ 6,590,215
TOTAL PENSION BENEFIT OBLIGATION:		$15,894,886
NET ASSETS AVAILABLE FOR BENEFITS		
COST:		$14,480,776
MARKET:		$16,304,069
TOTAL UNFUNDED PENSION BENEFIT OBLIGATION:		$ 1,414,110
COVERED PAYROLL:		$ 2,494,346

The actuarial assumptions used in the valuation of June 30, 1993 were modified in the June 30, 1994 valuation (see *Actuarial Section in the Public Employees' Retirement Board's 1994 Annual Financial Report* for complete list of assumptions). The net effect of the assumption changes was an increase of $324,278 or 2.08% in the Projected Pension Benefit Obligation.

D. CONTRIBUTIONS REQUIRED & CONTRIBUTIONS MADE

The GWRS funding policy provides for periodic employer and employee contributions at rates

established by state law. The contribution requirements are not actuarially determined; however,an actuary does determine the actuarial implications of the funding requirement in a biennial actuarial valuation. The last actuarial valuation, at July 1, 1994, determined that the regular contribution rate is sufficient to amortize the unfunded past service liability over a period of .43 years. This period has decreased from 4.06 years in 1992. The actuarial method used to determine the implications of the statutory funding level is the entry age normal funding method, with both normal cost and amortization of the unfunded accrued liability determined as a level percentage of payroll. Covered payroll totalled $2,494,346.

Contributions to the system for the year ending June 30, 1994 were as follows:

	Amount	Actual % of Compensation	Required % of Compensation
Employer	$ 194,284	7.79	7.15
Employee	225,593	9.04	7.90
Fines & Forfeitures	247,481	9.92	9.92
Total	$ 667,358	26.75	

These contributions are applied as follows:

	Amount	% of Compensation
Normal Cost	$ 382,383	15.33
Amortization of Unfunded Liability	284,975	11.42
Total	$ 667,358	26.75

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed in C above. There were no changes made in the method used to determine contribution requirements during the current year. Also, there were no changes in the benefit provisions.

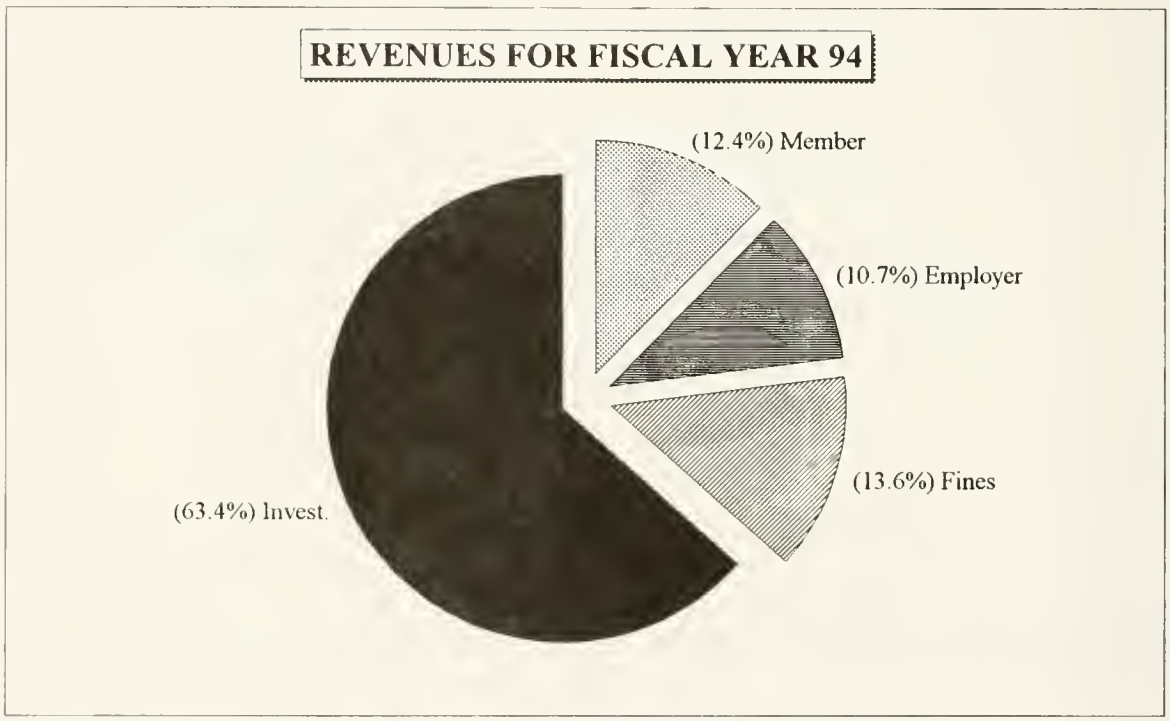
E. TEN-YEAR HISTORICAL TREND INFORMATION

Ten-year historical trend information (to the extent available) designed to provide information about the GWRS progress made in accumulating sufficient assets to pay benefits when due is presented on pages 72 through 74.

STATE OF MONTANA
GAME WARDENS' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
COMPARATIVE SUMMARY OF REVENUES BY SOURCE

Fiscal	*Contributions*		*Percent of*	*Retirement*		*Investment*	
Year	*Member*	*Employer*	*Cvrd. Pyrll.**	*Adjustment*	*Fines*	*Income***	*Total*
06/30/85	151,341	153,074	7.08%	0	260,860	589,449	1,154,724
06/30/86	177,302	158,392	7.35%	0	221,265	787,657	1,344,616
06/30/87	193,279	172,155	7.04%	0	218,582	737,861	1,321,877
06/30/88	246,066	170,626	7.73%	0	221,358	848,892	1,486,942
06/30/89	227,577	177,998	8.71%	0	236,930	929,032	1,571,537
06/30/90	203,877	252,561	11.24%	0	207,232	929,652	1,593,322
06/30/91	196,239	175,548	7.41%	0	295,346	957,919	1,625,052
06/30/92	210,764	185,745	7.53%	18,439	270,845	1,025,555	1,711,348
06/30/93	220,505	198,770	7.60%	20,071	273,958	1,096,263	1,809,567
06/30/94	**225,593**	**194,284**	**7.79%**	**0**	**247,481**	**1,156,411**	**1,823,769**



*** Single employer system's percentage of annual covered employer payroll.**

**** Includes Common Stock Dividends.**

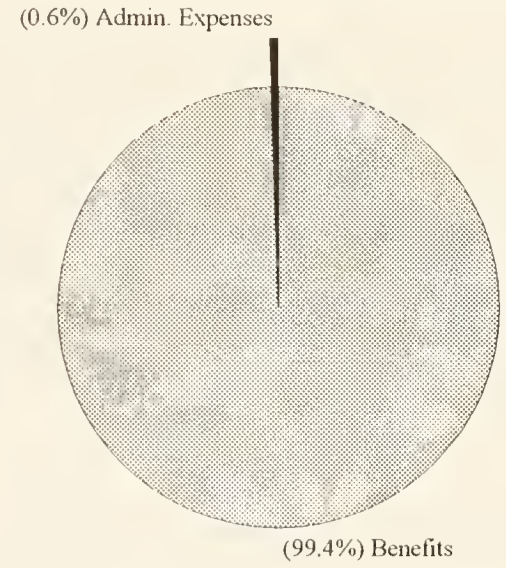
Contributions were made in accordance with actuarially determined and statutory contribution requirements.

STATE OF MONTANA
GAME WARDENS' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
COMPARATIVE SUMMARY OF EXPENSES BY TYPE

Fiscal Year	*Benefits*	*Refunds**	*Admin Expenses***	*Other****	*Total*
06/30/85	301,159	3,776	4,199	(969)	308,165
06/30/86	383,440	16,353	5,192	(4,536)	400,449
06/30/87	408,698	56,728	6,119	0	471,545
06/30/88	432,327	35,659	6,707	(1,700)	472,993
06/30/89	544,591	49,590	3,971	30,445	628,597
06/30/90	685,390	1,287	3,965	9,278	699,920
06/30/91	717,300	2,113	4,645	59	724,117
06/30/92	778,714	11,092	5,099	804	795,709
06/30/93	831,533	5,967	5,459	(16,192)	826,767
06/30/94	**928,238**	**0**	**5,749**	**0**	**933,987**

EXPENSES FOR FISCAL YEAR 94



***Includes Interest on Refunds**

****Includes Investment Expense**

*****Includes Prior Year Adjustments**

STATE OF MONTANA
GAME WARDENS' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS
(In millions of dollars)

Fiscal Year	*Net Assets Available For Benefits**	*Pension Benefit Obligation*	*Percent Funded*	*Unfunded PBO*	*Annual Covered Payroll*	*Unfunded PBO As A Percent Of Covered Payroll*
1988+	$9.0	$11.0	81.8%	$2.0	$2.2	90.9%
1989	9.9	12.0	82.5%	2.1	2.0	105.0%
1990	10.8	12.9	83.7%	2.1	2.2	95.5%
1991	11.7	13.5	86.9%	1.8	2.4	74.6%
1992	12.6	14.2	88.7%	1.6	2.5	65.2%
1993	13.6	15.4	88.2%	1.8	2.6	69.5%
1994++	**14.5**	**15.9**	**91.1%**	**1.4**	**2.5**	**56.7%**

Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.

+ Net effect of changes in actuarial assumptions increased PBO by $21,384.

++ Net effect of changes in actuarial assumptions (due to 1994 Experience Study) increased PBO by $324,278.

* Net Assets at cost.

This comparative information is only available from FY88 to FY94.

STATE OF MONTANA
GAME WARDENS' RETIREMENT SYSTEM

ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS

FISCAL YEAR	REVENUES	EXPENSES	ANNUAL ADDITIONS	NET ASSETS AVAILABLE
06/30/85	1,154,724	308,165	846,559	6,146,831
06/30/86	1,344,616	400,449	944,167	7,090,998
06/30/87	1,321,877	471,545	850,332	7,941,330
06/30/88	1,486,942	472,993	1,013,949	8,955,279
06/30/89	1,571,537	628,597	942,940	9,898,219
06/30/90	1,593,322	699,920	893,402	10,791,621
06/30/91	1,625,052	724,117	900,935	11,692,555
06/30/92	1,711,348	795,709	915,639	12,608,194
06/30/93	1,809,567	826,767	982,800	13,590,994
06/30/94	**1,823,769**	**933,987**	**889,782**	**14,480,776**

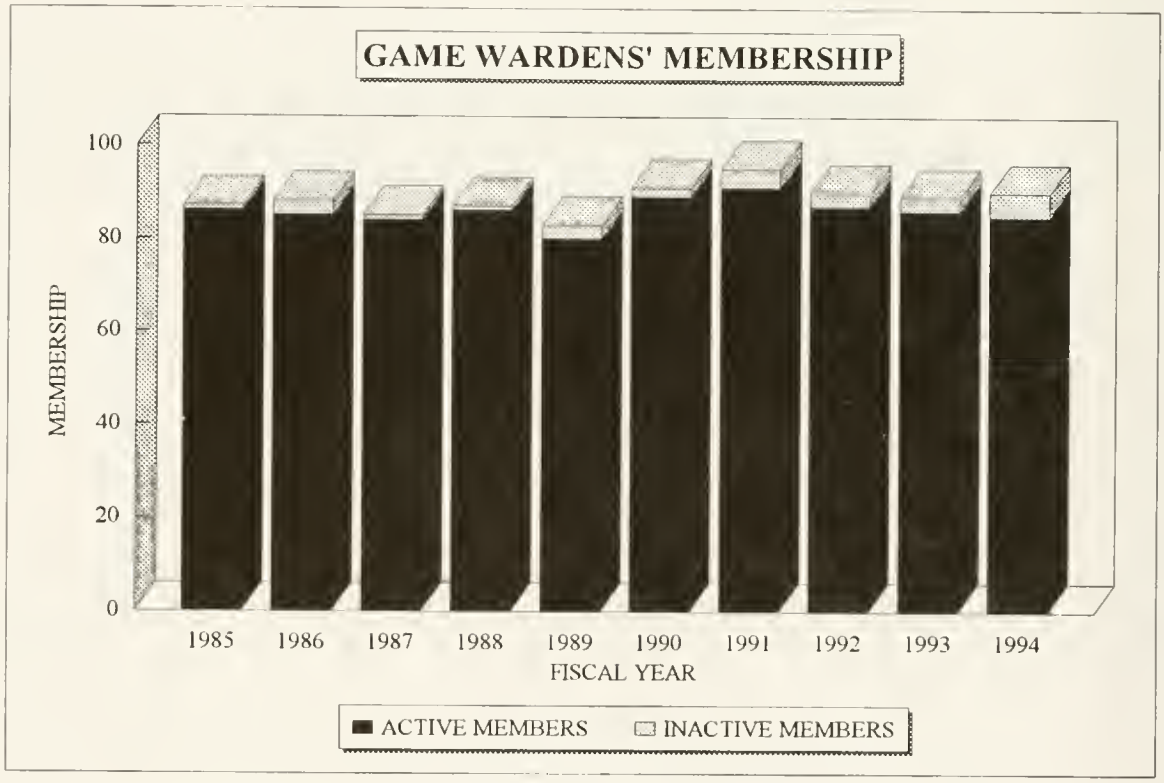
STATUTORY CONTRIBUTION RATES

FISCAL YEAR	EMPLOYEE PERCENT	EMPLOYER PERCENT
1979-1981	7.00	7.00
1982-1985	7.00	7.15
1986-1993	7.90	7.15
1994	**7.90**	**8.15**

STATE OF MONTANA
GAME WARDENS' RETIREMENT SYSTEM

MEMBERSHIP

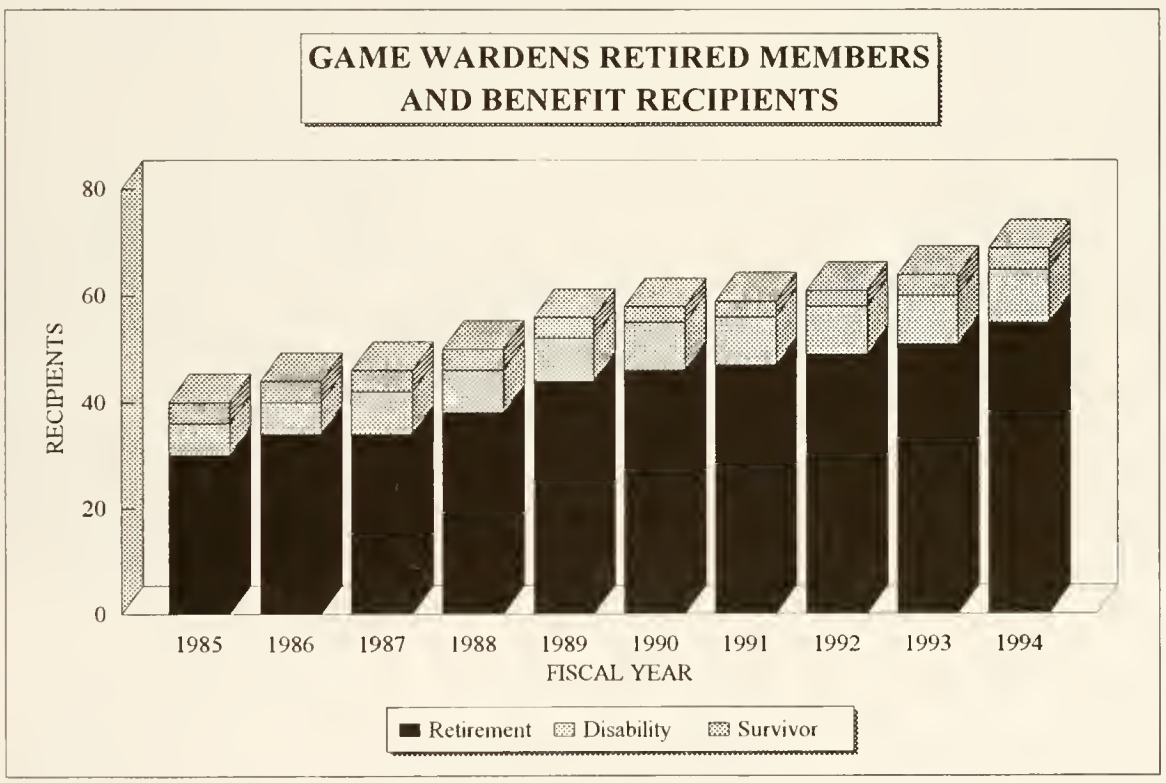
Fiscal Year	*Active Members*	*Inactive Members*	*Total*
06/30/85	86	1	87
06/30/86	85	3	88
06/30/87	84	1	85
06/30/88	86	1	87
06/30/89	80	3	83
06/30/90	89	2	91
06/30/91	91	4	95
06/30/92	87	3	90
06/30/93	86	3	89
06/30/94	**85**	**5**	**90**



STATE OF MONTANA
GAME WARDENS' RETIREMENT SYSTEM

RETIRED MEMBERS AND BENEFIT RECIPIENTS

Fiscal Year	*Retirement*	*Disability*	*Survivor*	*Total*
06/30/85	30	6	4	40
06/30/86	34	6	4	44
06/30/87	34	8	4	46
06/30/88	38	8	4	50
06/30/89	44	8	4	56
06/30/90	46	9	3	58
06/30/91	47	9	3	59
06/30/92	49	9	3	61
06/30/93	51	9	4	64
06/30/94	**55**	**10**	**4**	**69**



SHERIFFS'

RETIREMENT SYSTEM



Photo compliments of Tom Brodowy

STATE OF MONTANA

Office of the Legislative Auditor

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DEPUTY LEGISLATIVE AUDITORS:
MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheet of the Sheriffs' Retirement System as of June 30, 1994, and the related statement of revenues, expenses, and changes in fund balance for each of the two fiscal years ended June 30, 1994 and 1993, as shown on pages 82 through 92. The information contained in these financial statements is the responsibility of the system's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Sheriffs' Retirement System at June 30, 1994 and the results of its operations for the years ended June 30, 1994 and 1993 in conformity with generally accepted accounting principles.

The trend information following the notes to the financial statements on pages 94 through 96 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The other data included in this report have not been audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

December 2, 1994

STATE OF MONTANA
SHERIFFS' RETIREMENT SYSTEM

BALANCE SHEET

JUNE 30, 1994

ASSETS	
Cash In Treasury	$51,751
Interest Receivable	674,828
Accounts Receivable	272,288
Corporate Securities, at amortized cost (market value $20,122,456)	20,517,535
U.S. Government Securities, at amortized cost (market value $15,584,789)	16,104,206
Canadian Securities, at amortized cost (market value $1,674,742)	1,506,258
Short Term Investment Pool	1,966,600
Common Stock, at cost (market value $13,396,547)	9,432,000
Leveraged Buy-Outs, at cost (market value $500,523)	500,523
Deferred Gains/(Losses)	(12,330)
Total Assets	**$51,013,659**
LIABILITIES	
Accounts Payable	109,690
Deferred Revenue	2,639
Net Assets Available For Benefits	**$50,901,330**
FUND BALANCE	
Actuarial present value of projected benefits payable:	
to current retirants and beneficiaries	$10,218,955
to terminated vested participants	727,927
Actuarial present value of credited projected benefits for active employees:	
Member contributions	11,905,009
Employer-financed	18,364,751
Total actuarial present value of credited projected benefits	41,216,642
Net assets available for future benefit credits	9,684,688
Total Fund Balance	**$50,901,330**

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
SHERIFFS' RETIREMENT SYSTEM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE

FOR FISCAL YEARS ENDED JUNE 30, 1994 AND JUNE 30, 1993

	1994	*1993*
REVENUES		
Retirement Contributions		
Member	$1,194,533	$1,064,518
Employer	1,201,075	1,119,336
Retirement Adjustment	0	20,586
Interest Reserve Buyback	0	7,693
Investment Income	3,584,643	3,294,370
Common Stock Dividends	345,023	296,357
Total Revenues	**$6,325,274**	**$5,802,860**
EXPENSES		
Benefit Payments	$963,464	$882,569
Refund of Member Contributions	185,605	193,570
Interest On Refunds	54,478	80,596
Employer Refund	17,591	18,965
Administrative Expense	18,181	16,449
Investment Expense	5,703	5,563
Total Expenses	**$1,245,022**	**$1,197,712**
OTHER FINANCING SOURCES - (USES)		
Prior Year Adjustments	$0	($61,786)
Excess Of Revenues Over Expenses	5,080,252	4,543,362
Fund Balance Beginning Of Year	45,821,078	41,277,716
Fund Balance End Of Year	**$50,901,330**	**$45,821,078**

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
SHERIFFS' RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

A. PLAN DESCRIPTION

1. PLAN MEMBERSHIP

The Public Employees' Retirement Board is the administrator of the Sheriffs' Retirement System (SRS), a statewide retirement plan established in 1974 in accordance with Title 19, chapters 2 & 7 of the Montana Code Annotated to provide pension benefits for Montana sheriffs and Department of Justice investigators hired after July 1, 1993. The SRS is a multiple-employer, cost-sharing defined benefit plan. Benefits are vested after 15 years of membership service, or after five years if involuntarily terminated.

SRS MEMBERSHIP DATA

	June 30, 1994	June 30, 1993
ACTIVE MEMBERS BY EMPLOYER:		
Dept of Justice	1	-
Counties	56	56
TOTAL	**57**	**56**
ACTIVE MEMBERS:		
Dept of Justice	18	-
Beaverhead	7	9
Big Horn	14	13
Blaine	5	6
Broadwater	6	7
Carbon	6	5
Carter	2	2
Cascade	30	29
Choteau	9	9
Custer	5	5
Daniels	4	3
Dawson	4	6
Fallon	1	2
Fergus	10	9
Flathead	37	32
Gallatin	29	27
Garfield	2	2
Glacier	7	9
Golden Valley	2	2
Granite	5	5
Hill	8	9
Jefferson	9	9
Judith Basin	4	4
Lake	13	10
Lewis & Clark	25	21

SRS MEMBERSHIP DATA
(continued)

	June 30, 1994	June 30, 1993
Liberty	4	4
Lincoln	21	17
Madison	7	8
McCone	3	3
Meagher	3	4
Mineral	6	8
Missoula	43	42
Musselshell	6	5
Park	16	16
Petroleum	2	1
Phillips	8	8
Pondera	8	8
Powder	4	4
Prairie	2	2
Ravalli	16	15
Richland	6	5
Roosevelt	13	16
Rosebud	18	16
Sanders	8	7
Sheridan	6	7
Silver Bow	1	1
Stillwater	7	7
Sweet Grass	4	3
Teton	6	6
Toole	11	10
Treasure	2	3
Valley	12	16
Wheatland	3	6
Wibaux	3	3
Yellowstone	41	39
TOTAL	**552**	**525**
ACTIVE MEMBERS:		
Vested	326	308
Non-vested	226	217
TOTAL	**552**	**525**
INACTIVE MEMBERS:		
Vested	19	18
Non-vested	82	75
TOTAL	**101**	**93**

SRS MEMBERSHIP DATA
(continued)

	June 30, 1994	June 30, 1993
BENEFIT RECIPIENTS:		
Service Retirements	68	62
Disability Retirements	31	29
Survivor Benefits	12	12
TOTAL	**111**	**103**

2. BENEFIT PROVISIONS

A. PENSION BENEFITS

Benefit provisions are established by state law and may be modified only by the State of Montana Legislature. A member initially elected or appointed before July 1, 1989 may retire with a regular service retirement benefit after completing 24 years of membership service. A member initially elected or appointed on or after July 1, 1989 may retire after both serving at least 24 years and attaining the minimum service retirement age of 50. The retirement benefit (with optional benefit available for the joint life of a contingent annuitant), payable monthly for life, is based on the following formula:

SRS BENEFIT FORMULA

2.0834 X Years of Service (through 24 years) X FAS +
1.35% X FAS X Years of Service over 24 years
(Maximum benefit is 60% of FAS)

FAS is the average of the member's highest compensation during any 36 consecutive months of membership service.

A member may retire with an actuarially reduced early retirement benefit after completing 15 years of membership service and attaining age 50.

B. DEFERRED BENEFITS

A member who involuntarily leaves covered employment with at least 5 years

service but before attaining retirement eligibility becomes eligible for a deferred benefit at age 50, provided the accumulated contributions are left on deposit.

C. DISABILITY BENEFITS

A member who becomes totally and permanently disabled is eligible for a disability benefit equal to:

1) for ***non-service disability***, the actuarial equivalent of the service retirement benefit based on age and service credits at time of disability, *or*

2) for members ***disabled in the line of duty***, one-half of final average salary.

D. SURVIVOR BENEFITS

Upon the death of an actively employed member of the system, the beneficiary(ies) is entitled to elect either:

1) a lump sum payment equal to the member's total accumulated contributions, including interest, *or*

2) a monthly benefit calculated as follows:
2% X FAS X Years of Service (up to 25 years), actuarially reduced from either age 65 or 25 years of service, whichever would produce the higher benefit.

3) If the member dies from ***duty related causes***, the monthly benefit is equal to 50% of FAS.

E. BENEFIT ENHANCEMENTS AFTER RETIREMENT

Post retirement adjustments provide annual permanent monthly benefit increases funded from annual investment earnings exceeding the actuarially required 8% yield. These increases are paid to eligible recipients based on years of service, current age and the retirement option chosen. In January 1994, the average eligible recipient received an increase equal to 1.19% of benefits.

F. REFUND OF CONTRIBUTIONS

If a member voluntarily leaves covered employment before retirement, member

contributions plus accrued interest earnings may be refunded to the member. If the member returns to service and repays the withdrawn contributions plus the interest the contributions would have earned had they remained on deposit, membership service is fully restored.

3. CONTRIBUTION RATES

A. MEMBER CONTRIBUTIONS

Employee and employer contribution rates are established by state law and may be amended only by the State of Montana Legislature. The contribution rate for fiscal years 1993 and 1994 was 7% of total monthly compensation. Contributions are deducted from each member's salary and remitted by their employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

B. EMPLOYER CONTRIBUTIONS

The employer contribution rate for fiscal years 1993 and 1994 was 7.67%. During fiscal year 1994, each county contributed 7.67% of their total SRS-covered payroll to the retirement system on a monthly basis.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & PLAN ASSET MATTERS

1. METHOD OF ACCOUNTING

The SRS is included in the State of Montana's financial statements as a pension trust fund. The accounting records and financial statements prepared by the Public Employees' Retirement Division (PERD) use the fund accounting principals based on the accrual basis of accounting. The accrual method records expenses when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable.

2. VALUATION OF INVESTMENTS

Investments of the fund are invested in four major areas: Short Term Investment Pool (STIP), Montana Common Stock Pool (Mont-Comp), Securities, and Mortgages.

A. *STIP* is carried at cost and is currently valued at $100.00 per unit plus income accrued since the last distribution. Income is distributed on the last business day

of the month and the Public Employees' Retirement Board elects to have all STIP income automatically reinvested.

B. *MONT-COMP* is carried at cost for financial reporting purposes. Mont-Comp's unit value is calculated once a month at the close of the last business day of the month and is based upon the market value of the equity holdings. The PERD can only buy or sell units on the first business day of the month. Investment income is distributed to the SRS on the last business day of the month. This distribution is based on the full accrual method. Therefore, all dividends and interest accrued during the month are based on the number of outstanding units.

C. *SECURITIES* are recorded at book value (original costs adjusted for discount and premium amortization). Premiums and discounts are amortized using the straight-line method over the life of the securities. Bond swaps involve trading one bond for another bond having the same par value for the purpose of enhancing each fund's portfolio content and yield. Gains or losses from bond swaps are deferred and amortized over the shorter of either the remaining life of the bonds sold or the life of the replacement bonds purchased.

D. *MORTGAGES* have an average life of eight years which is used for the amortization of mortgage discounts.

The following is the listing of investments at fiscal year end 1994:

SRS INVESTMENTS

Type	Cost	Market
Corporate Securities	$20,517,535	$20,122,456
US Government Securities	16,104,206	15,584,789
Canadian Securities	1,506,258	1,674,742
Short Term Investment Pool	1,966,600	1,966,600
Mont-Comp (Common Stock)	9,432,000	13,396,547
Leveraged Buy-Outs	500,523	500,523
Deferred Gains/(Losses)	(12,330)	(12,330)
TOTAL INVESTMENTS	**$50,014,792**	**$53,233,327**

C. FUNDING STATUS & PROGRESS

The "pension benefit obligation" is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the

future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the SRS's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons with other public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the SRS, discussed in D below.

The pension benefit obligation was determined as part of the required actuarial valuation at June 30, 1994. Significant actuarial assumptions used include:

1. a rate of return on investment of present and future assets of 8% compounded annually,
2. projected salary increases of 6% compounded annually, attributable to inflation,
3. no projected merit increases, *and*
4. no benefit increases after retirement.

At June 30, 1994 the SRS had no unfunded pension benefit obligation:

ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS

INACTIVES:		
Current retirants & beneficiaries	$10,218,955	
Terminated vested participants	727,927	
Total Inactive		$10,946,882
ACTIVE MEMBERS:		
Accumulated member contributions	$11,905,009	
Employer-financed vested	15,743,381	
Employer-financed non-vested	2,621,370	
Total Active Members		$30,269,760
TOTAL PENSION BENEFIT OBLIGATION:		$41,216,642

NET ASSETS AVAILABLE FOR BENEFITS

COST:	$50,901,330
MARKET:	$55,219,616
NET ASSETS AVAILABLE FOR FUTURE BENEFIT CREDITS:	$ 9,684,688
COVERED PAYROLL:	$15,868,820

The actuarial assumptions used in the valuation of June 30, 1993 were modified in the June 30, 1994 valuation (see *Actuarial Section in the Public Employees' Retirement Board's 1994 Annual Financial Report* for complete list of assumptions). The net effect of the assumption changes was an increase of $498,095 or 1.22% in the Projected Pension Benefit Obligation.

D. CONTRIBUTIONS REQUIRED & CONTRIBUTIONS MADE

The SRS funding policy provides for periodic employer and employee contributions at rates established by state law. The contribution requirements are not actuarially determined; however, an actuary does determined the actuarial implications of the funding requirement in a biennial actuarial valuation. The last actuarial valuation, at July 1, 1994, determined that the regular contribution rate is more than sufficient to fund past benefits. There continues to be no unfunded liability. The actuarial method used to determine the implications of the statutory funding level is the entry age normal funding method, with both normal cost and amortization of the unfunded accrued liability determined as a level percentage of payroll. Covered payroll totalled $15,868,820.

Contributions to the system for the year ending June 30, 1994 were as follows:

	Amount	Actual % of Compensation	Required % of Compensation
Employer	$ 1,201,075	7.57	7.67
Employee	1,194,533	7.53	7.00
Total	$ 2,395,608	15.10	

These contributions are applied as follows:

	Amount	& of Compensation
Normal Cost	$ 2,188,310	13.79
Amortization of Unfunded Liability	207,298	1.31
Total	$ 2,395,608	15.10

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed in C above. There were no changes made in the method used to determine contribution requirements during the current year. Also, there were no changes in the benefit provisions.

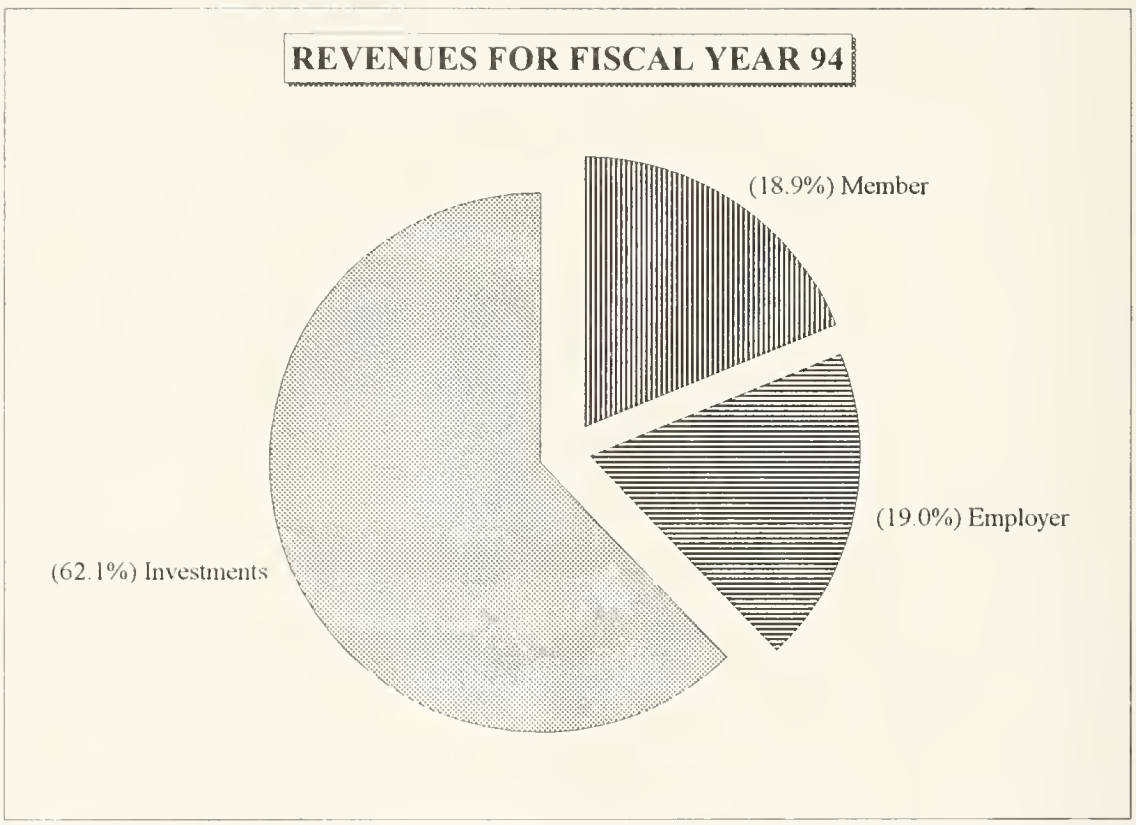
E. TEN-YEAR HISTORICAL TREND INFORMATION

Ten-year historical trend information (to the extent available) designed to provide information about the SRS progress made in accumulating sufficient assets to pay benefits when due is presented on pages 94 through 96.

STATE OF MONTANA
SHERIFFS' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
COMPARATIVE SUMMARY OF REVENUES BY SOURCE

Fiscal Year	*Contributions*		*Retirement Adjustment*	*Investment Income***	*Total*
	*Member**	*Employer*			
06/30/85	784,899	842,733	0	1,704,246	3,331,878
06/30/86	822,921	892,416	0	2,370,170	4,085,507
06/30/87	836,232	890,441	0	2,252,834	3,979,507
06/30/88	780,521	839,509	0	2,526,090	4,146,120
06/30/89	833,357	871,136	0	2,764,330	4,468,823
06/30/90	918,158	928,191	0	3,012,704	4,859,053
06/30/91	976,490	989,827	0	3,153,816	5,120,133
06/30/92	1,089,237	1,088,347	18,132	3,410,222	5,605,938
06/30/93	1,072,211	1,119,336	20,586	3,590,727	5,802,860
06/30/94	**1,194,533**	**1,201,075**	**0**	**3,929,666**	**6,325,274**



*** Includes Interest Reserve Buyback.**

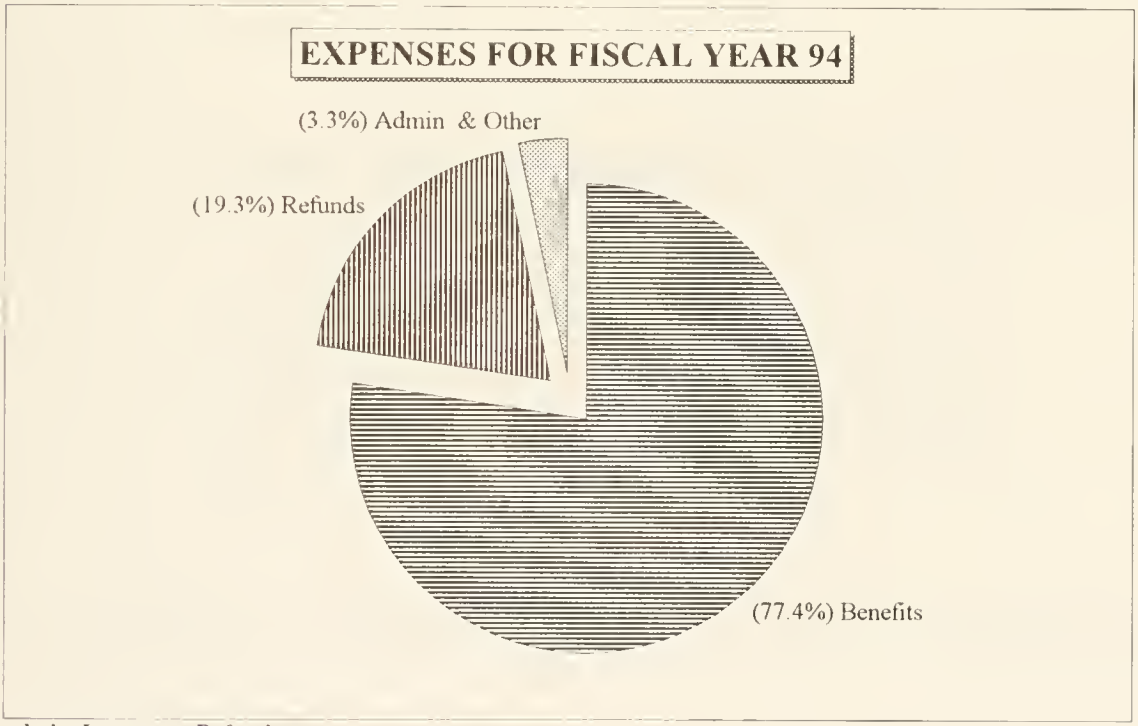
**** Includes Common Stock Dividend.**

Contributions were made in accordance with actuarially determined and statutory contribution requirements.

STATE OF MONTANA
SHERIFFS' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
COMPARATIVE SUMMARY OF EXPENSES BY TYPE

Fiscal Year	*Benefits*	*Refunds**	*Admin Expenses***	*Other****	*Total*
06/30/85	242,054	219,951	14,992	11,372	488,369
06/30/86	306,424	308,047	17,824	34,358	666,653
06/30/87	383,982	577,233	19,675	0	980,890
06/30/88	440,142	415,918	18,977	22,955	897,992
06/30/89	465,958	561,415	15,318	28,529	1,071,220
06/30/90	564,657	456,243	15,725	47,075	1,083,700
06/30/91	729,112	534,151	16,859	10,456	1,290,578
06/30/92	781,090	271,057	14,789	(92)	1,066,844
06/30/93	882,569	274,166	22,012	80,751	1,259,498
06/30/94	**963,464**	**240,083**	**23,884**	**17,591**	**1,245,022**



***Includes Interest on Refunds**
****Includes Investment Expense**
*****Includes Prior Year Adjustments**

STATE OF MONTANA
SHERIFFS' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS
(In millions of dollars)

Fiscal Year	*Net Assets Available For Benefits**	*Pension Benefit Obligation*	*Percent Funded*	*Net Assets Available for Future Benefit Credits*	*Annual Covered Payroll*	*Net Assets Available for Future Benefits As A Percent Of Covered Payroll*
1988+	$25.7	$18.3	140.4%	$7.4	$11.2	66.1%
1989	29.1	20.5	142.0%	8.6	11.3	76.1%
1990	32.9	23.7	138.8%	9.2	11.8	78.0%
1991	36.7	26.8	137.2%	9.9	11.6	85.4%
1992	41.3	32.6	126.5%	8.6	13.7	63.2%
1993	45.8	35.7	128.2%	10.1	14.3	70.6%
1994++	**50.9**	**41.2**	**123.5%**	9.7	**15.9**	**61.0%**

Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.

+ Net effect of changes in actuarial assumptions decreased PBO by $106,448.

++ Net effect of changes in actuarial assumptions (due to 1994 Experience Study) increased PBO by $498,095.

* Net Assets at cost.

This comparative information is only available from FY88 to FY94.

STATE OF MONTANA
SHERIFFS' RETIREMENT SYSTEM

ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS

FISCAL YEAR	REVENUES	EXPENSES	ANNUAL ADDITIONS	NET ASSETS AVAILABLE
06/30/85	3,331,878	488,369	2,843,509	16,061,782
06/30/86	4,085,507	666,653	3,418,854	19,480,636
06/30/87	3,979,507	980,890	2,998,617	22,479,253
06/30/88	4,146,120	897,992	3,248,128	25,727,381
06/30/89	4,477,553	1,071,220	3,406,333	29,133,714
06/30/90	4,859,053	1,083,700	3,775,353	32,909,067
06/30/91	5,120,133	1,290,578	3,829,555	36,738,622
06/30/92	5,605,938	1,066,844	4,539,094	41,277,716
06/30/93	5,802,860	1,259,498	4,543,362	45,821,078
06/30/94	**6,325,274**	**1,245,022**	**5,080,252**	**50,901,330**

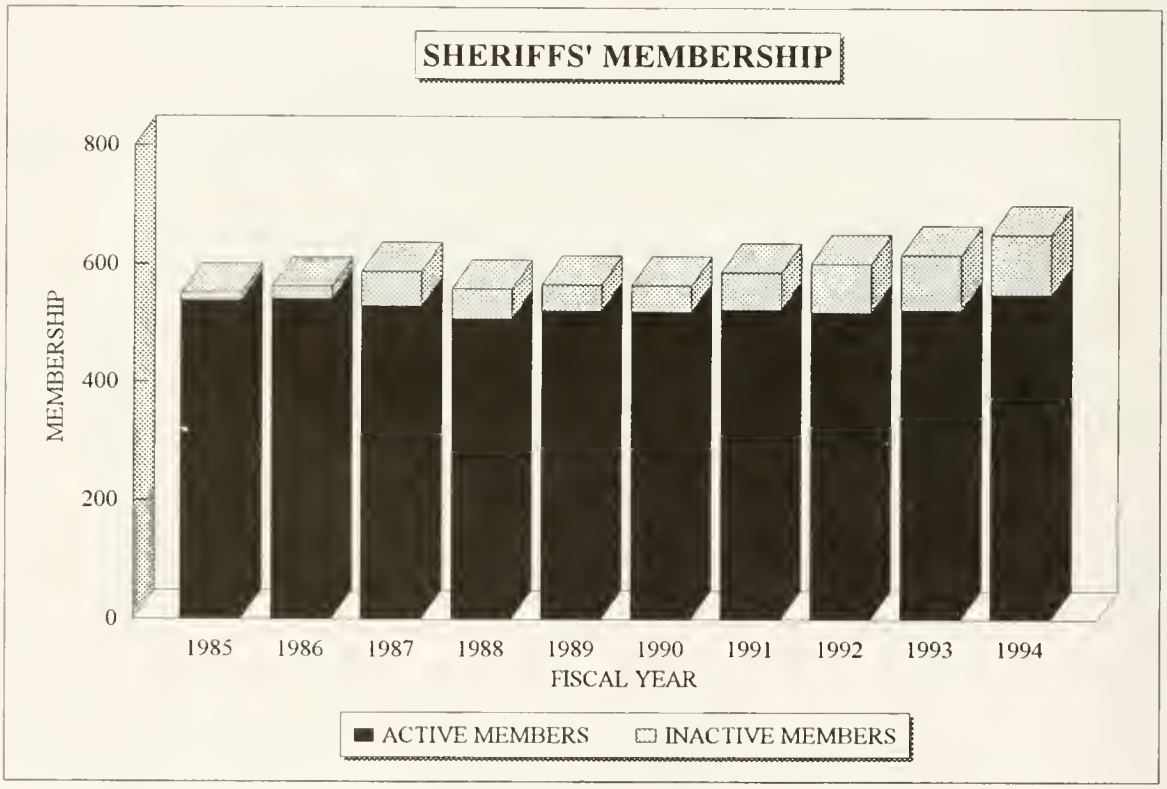
STATUTORY CONTRIBUTION RATES

FISCAL YEAR	EMPLOYEE PERCENT	EMPLOYER PERCENT
1979-1981	7.00	7.55
1982-1985	7.00	7.62
1986-1994	**7.00**	**7.67**

STATE OF MONTANA
SHERIFFS' RETIREMENT SYSTEM

MEMBERSHIP

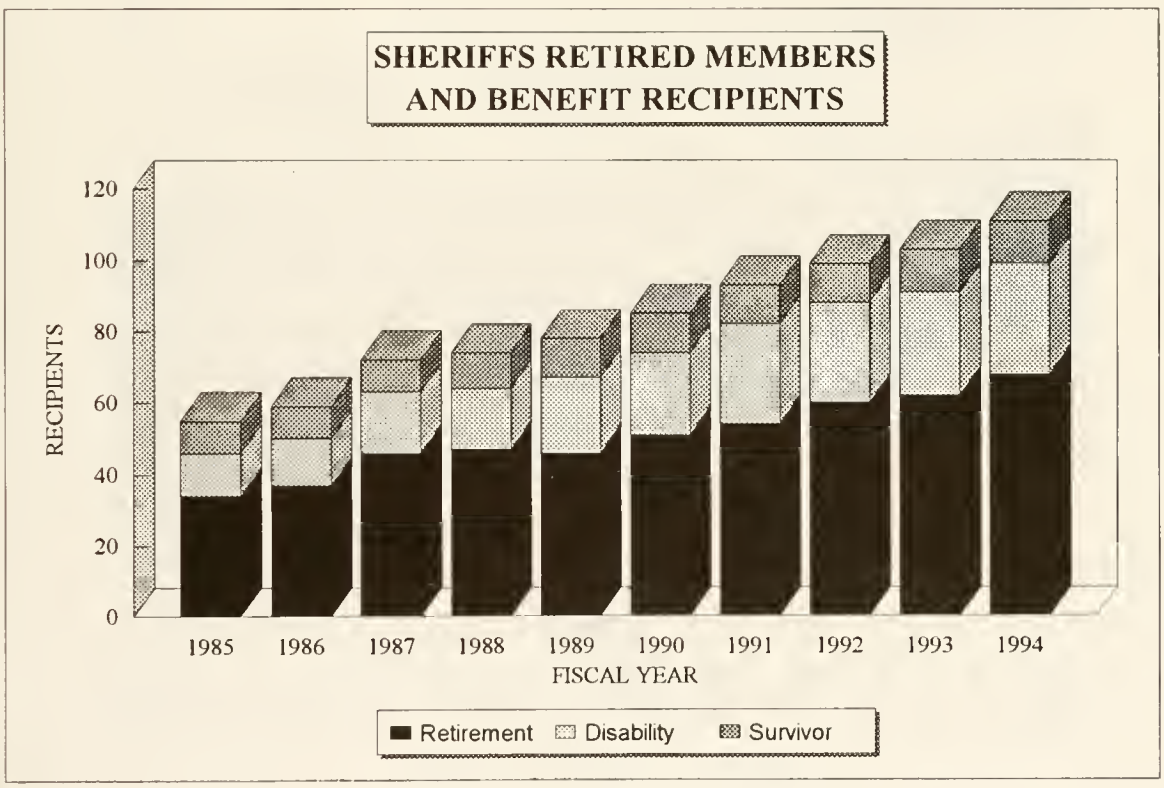
Fiscal Year	*Active Members*	*Inactive Members*	*Total*
06/30/85	539	13	552
06/30/86	541	22	563
06/30/87	530	58	588
06/30/88	509	50	559
06/30/89	523	44	567
06/30/90	522	44	566
06/30/91	525	63	588
06/30/92	521	82	603
06/30/93	525	93	618
06/30/94	**552**	**101**	**653**



STATE OF MONTANA
SHERIFFS' RETIREMENT SYSTEM

RETIRED MEMBERS AND BENEFIT RECIPIENTS

Fiscal Year	*Retirement*	*Disability*	*Survivor*	*Total*
06/30/85	34	12	9	55
06/30/86	37	13	9	59
06/30/87	46	17	9	72
06/30/88	47	17	10	74
06/30/89	46	21	11	78
06/30/90	51	23	11	85
06/30/91	54	28	11	93
06/30/92	60	28	11	99
06/30/93	62	29	12	103
06/30/94	**68**	**31**	**12**	**111**



JUDGES'

RETIREMENT SYSTEM



Photo compliments of Tom Brodowy

STATE OF MONTANA

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Operations and EDP Audit
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Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheet of the Judges' Retirement System as of June 30, 1994, and the related statement of revenues, expenses, and changes in fund balance for each of the two fiscal years ended June 30, 1994 and 1993, as shown on pages 104 through 113. The information contained in these financial statements is the responsibility of the system's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Judges' Retirement System at June 30, 1994 and the results of its operations for the years ended June 30, 1994 and 1993 in conformity with generally accepted accounting principles.

As discussed in note A.3.C on page 109, the system's actuary has not been able to certify the actuarial soundness of the Judges' Retirement System.

The trend information following the notes to the financial statements on pages 114 through 116 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The other data included in this report have not been audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

December 2, 1994

STATE OF MONTANA
JUDGES' RETIREMENT SYSTEM

BALANCE SHEET

JUNE 30, 1994

ASSETS	
Cash In Treasury	$27,606
Interest Receivable	258,850
Accounts Receivable	70,689
Corporate Securities, at amortized cost (market value $6,704,777)	7,100,829
U.S. Government Securities, at amortized cost (market value $5,783,914)	6,223,941
Canadian Securities, at amortized cost ($437,318)	364,680
Short Term Investment Pool	1,019,800
Common Stock, at cost (market value $6,118,287)	4,005,768
Leveraged Buy-Outs at cost (market value $250,262)	250,262
Deferred Gains/(Losses)	19,803
Total Assets	**$19,342,228**
LIABILITIES	
Accounts Payable	3,205
Net Assets Available For Benefits	**$19,339,023**
FUND BALANCE	
Actuarial present value of projected benefits payable:	
to current retirants and beneficiaries	$12,256,510
to terminated vested participants	700,402
Actuarial present value of credited projected benefits for active employees:	
Member contributions	1,931,985
Employer-financed	9,215,448
Total actuarial present value of credited projected benefits	24,104,345
Unfunded actuarial present value of credited projected benefits	(4,765,322)
Total Fund Balance	**$19,339,023**

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
JUDGES' RETIREMENT SYSTEM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE

FOR FISCAL YEARS ENDED JUNE 30, 1994 AND JUNE 30, 1993

	1994	*1993*
REVENUES		
Retirement Contributions		
Member	$193,702	$186,341
Employer	166,016	159,723
Retirement Adjustment	0	18,830
Court Fees	603,996	595,769
Investment Income	1,429,234	1,305,895
Common Stock Dividends	159,463	142,697
Total Revenues	**$2,552,411**	**$2,409,255**
EXPENSES		
Benefit Payments	$745,352	$797,107
Administrative Expense	2,126	1,972
Investment Expense	2,194	2,159
Total Expenses	**$749,672**	**$801,238**
OTHER FINANCING SOURCES - (USES)		
Prior Year Adjustments	0	($979)
Excess Of Revenues Over Expenses	1,802,739	1,607,038
Fund Balance Beginning Of Year	17,536,284	15,929,246
Fund Balance End Of Year	**$19,339,023**	**$17,536,284**

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
JUDGES' RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

A. PLAN DESCRIPTION

1. PLAN MEMBERSHIP

The Public Employees' Retirement Board is the administrator of the Judges' Retirement System (JRS), a statewide retirement plan established in 1967 in accordance with Title 19, chapters 2 & 5 of the Montana Code Annotated to provide pension benefits for all Montana judges of the district courts, justices of the Supreme Court and the Chief Water Judge. The JRS is a single-employer, defined benefit plan. Benefits are vested after five years of membership service.

JRS MEMBERSHIP DATA

	June 30, 1994	June 30, 1993
ACTIVE MEMBERS BY EMPLOYER:		
State	44	44
TOTAL	**44**	**44**
ACTIVE MEMBERS:		
Vested	30	27
Non-vested	14	17
TOTAL	**44**	**44**
INACTIVE MEMBERS:		
Vested	3	3
Non-vested	0	0
TOTAL	**3**	**3**
RETIREES & BENEFICIARIES:		
Retirees	28	27
Disabilities	5	4
Survivors	1	1
TOTAL	**34**	**32**

2. BENEFIT PROVISIONS

A. PENSION BENEFITS

Benefit provisions are established by state law and may be modified only by the State of Montana Legislature. A member may retire with a service retirement benefit after completing at least five years of membership service *and* attaining the age of 65. The retirement benefit, payable monthly for life (with optional benefits available for the joint life of a contingent annuitant), is based on the following formula:

JRS BENEFIT FORMULA

3 1/3% X Years of Service (up to 15) X Current Salary
plus 1.785% X Years of Service (over 15) X Current Salary

Current Salary is the average monthly compensation currently paid to an active member holding the position from which the member retired.

A member who is involuntarily discontinued from service after at least five years of membership service and before retirement eligibility may receive an actuarially reduced retirement benefit beginning after termination from service. For members elected or appointed prior to July 1, 1983 who have at least 12 years of service, the involuntary allowance is not actuarially reduced.

B. DEFERRED BENEFITS

A vested member voluntarily leaving covered employment before attaining retirement age is eligible for a monthly benefit at age 65, provided the accumulated contributions are left on deposit.

C. DISABILITY BENEFITS

A member who becomes totally and permanently disabled is eligible for a disability benefit equal to:

1) if the disability was ***incurred in the line of duty***, not less than one-half of the member's current salary, *or*

2) the actuarial equivalent of the service retirement benefit earned if ***non-service related.***

D. SURVIVOR BENEFITS

Upon the death of a member, his designated beneficiary is entitled to either:

1) in the case of ***death from other causes***, a monthly benefit which is the actuarial equivalent of the involuntary retirement benefit, *or*

2) in the case of a ***duty-related death***, a monthly benefit equal to the actuarial equivalent of a member's service retirement benefit.

E. BENEFIT ENHANCEMENTS AFTER RETIREMENT

Since current salary is used in the calculation of the monthly benefit, each time the legislature increases the salaries for active judges, benefits of retired judges (or eligible contingent annuitants) increase.

F. REFUND OF CONTRIBUTIONS

If a member leaves covered employment before retirement, member contributions plus accrued interest earnings may be refunded to the member. If the member returns to service and repays the withdrawn contributions plus the interest the contributions would have earned had they remained on deposit, membership service is fully restored.

3. CONTRIBUTION RATES

A. MEMBER CONTRIBUTIONS

Employee and employer contribution rates and court fees are established by state law and may be amended only by the State of Montana Legislature. The contribution rate for fiscal years 1993 and 1994 was 7% of monthly compensation. Contributions are deducted from each member's salary and remitted by the employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

B. EMPLOYER CONTRIBUTIONS

The employer contribution rate for fiscal years 1993 and 1994 was 6%. The State contributed 6% of the total JRS-covered payroll to the retirement system on a monthly basis.

C. COURT FEES

The State is required to contribute an amount equal to 34.71% of member salaries from district court fees transmitted to the State by clerks of the district courts. In addition, 25% of Supreme Court fees are paid to the fund. The amount received for fiscal year 1994 was $603,996. In fiscal year 1993 the rate was also 34.71% and the amount received was $595,769.

SHORTFALL IN CONTRIBUTIONS FROM DISTRICT COURT FEES

District court fees have not generated the revenue for the JRS as required by 19-5-404, MCA. Legislation was passed to increase the percent of salaries paid from district court fees from 31% to 34.71% effective July 1, 1991, which has increased this shortfall. The actual district court fees remitted during fiscal year 1994 provided **only** 21.48% of active judges salaries, a shortfall of 13.23%. At the present time, the JRS is able to meet all current obligations, but the continued funding shortfall has precluded the actuary from certifying the actuarial soundness of this system. With the passing of Constitutional Amendment 25 in the November 1994 election, it will be the Public Employees' Retirement Board's responsibility to ensure the system is funded in an actuarially sound manner.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & PLAN ASSET MATTERS

1. METHOD OF ACCOUNTING

The JRS is included in the State of Montana's financial statements as a pension trust fund. The accounting records and financial statements prepared by the Public Employees' Retirement Division (PERD) use the fund accounting principals based on the accrual basis of accounting. The accrual method records expenses when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable.

2. VALUATION OF INVESTMENTS

Investments of the fund are invested in four major areas: Short Term Investment Pool (STIP), Montana Common Stock Pool (Mont-Comp), Securities, and Mortgages.

A. *STIP* is carried at cost and is currently valued at $100.00 per unit plus income accrued since the last distribution. Income is distributed on the last business day of the month and the Public Employees' Retirement Board elects to have all STIP income automatically reinvested.

B. *MONT-COMP* is carried at cost for financial reporting purposes. Mont-Comp's unit value is calculated once a month at the close of the last business day of the month and is based upon the market value of the equity holdings. The PERD can only buy or sell units on the first business day of the month. Investment income is distributed to the JRS on the last business day of the month. This distribution is based on the full accrual method. Therefore, all dividends and interest accrued during the month are based on the number of outstanding units.

C. *SECURITIES* are recorded at book value (original costs adjusted for discount and premium amortization). Premiums and discounts are amortized using the straight-line method over the life of the securities. Bond swaps involve trading one bond for another bond having the same par value for the purpose of enhancing each fund's portfolio content and yield. Gains or losses from bond swaps are deferred and amortized over the shorter of either the remaining life of the bonds sold or the life of the replacement bonds purchased.

D. *MORTGAGES* have an average life of eight years which is used for the amortization of mortgage discounts.

E. *RELATED DISCLOSURES* The JRS has investments in one organization that represent five percent or more of net assets available for benefits. The investment is in Ford Motor Credit Company corporate obligations, the book value equals $1,018,573.00 which is 5.27% of net assets available for benefits.

The following is the listing of investments at fiscal year end 1994:

JRS INVESTMENTS

Type	Cost	Market
Corporate Securities	$7,100,829	$6,704,777
US Government Securities	6,223,941	5,783,914
Canadian Securities	364,680	437,318
Short Term Investment Pool	1,019,800	1,019,800
Mont-Comp (Common Stock)	4,005,768	6,118,287
Leveraged Buy-Outs	250,262	250,262
Deferred Gains/(Losses)	19,803	19,803
TOTAL INVESTMENTS	**$18,985,083**	**$20,334,161**

C. FUNDING STATUS & PROGRESS

The "pension benefit obligation" is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the JRS's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons with other public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the JRS, discussed in D below.

The pension benefit obligation was determined as part of the required actuarial valuation at June 30, 1994. Significant actuarial assumptions used include:

1. a rate of return on investment of present and future assets of 8% compounded annually,
2. projected salary increases of 6% compounded annually, attributable to inflation,
3. no projected merit increases, *and*
4. a 6% increase in post-retirement benefits.

At June 30, 1994 the unfunded pension benefit obligation for the JRS was $4,765,322 as follows:

ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS		
INACTIVES:		
Current retirants & beneficiaries	$12,256,510	
Terminated vested participants	700,402	
Total Inactive		$12,956,912
ACTIVE MEMBERS:		
Accumulated member contributions	$ 1,931,985	
Employer-financed vested	7,908,343	
Employer-financed non-vested	1,307,105	
Total Active Members		$11,147,433
TOTAL PENSION BENEFIT OBLIGATION:		$24,104,345
NET ASSETS AVAILABLE FOR BENEFITS		
COST:		$19,339,023
MARKET:		$21,280,849
TOTAL UNFUNDED PENSION BENEFIT OBLIGATION:		$ 4,765,322
COVERED PAYROLL:		$ 2,776,826

The actuarial assumptions used in the valuation of June 30, 1993 were modified in the June 30, 1994 valuation (see *Actuarial Section in the Public Employees' Retirement Board's 1994 Annual Financial Report* for complete list of assumptions). The net effect of the assumption changes was a decrease of $3,236, or 0.01% in the Projected Pension Benefit Obligation.

D. CONTRIBUTIONS REQUIRED & CONTRIBUTIONS MADE

The JRS funding policy provides for periodic employer and employee contributions at rates established by state law. The contribution requirements are not actuarially determined; however, an actuary does determined the actuarial implications of the funding requirement in a biennial actuarial valuation. The last actuarial valuation, at July 1, 1994, determined that the regular contribution rate is sufficient to amortize the unfunded past service liability over a period of 8.59 years. The actuarial method used to determine the implications of the statutory funding level is the entry age normal funding method, with both normal cost and amortization of the unfunded accrued liability determined as a level percentage of payroll. Covered payroll totalled $2,776,826.

Contributions to the system for the year ending June 30, 1994 were as follows:

	Amount	Actual % of Compensation	Required % of Compensation
Employer	$ 166,016	5.98	6.00
Employee	193,702	6.97	7.00
Court Fees	603,996	21.75	34.71
Total	$ 963,714	34.70	

These contributions are applied as follows:

	Amount	% of Compensation
Normal Cost	$ 963,714	34.70
Amortization of Unfunded Liability	0	0.00
Total	$ 963,714	34.70

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed in C above. There were no changes made in the method used to determine contribution requirements during the current year. Also, there were no changes in the benefit provisions.

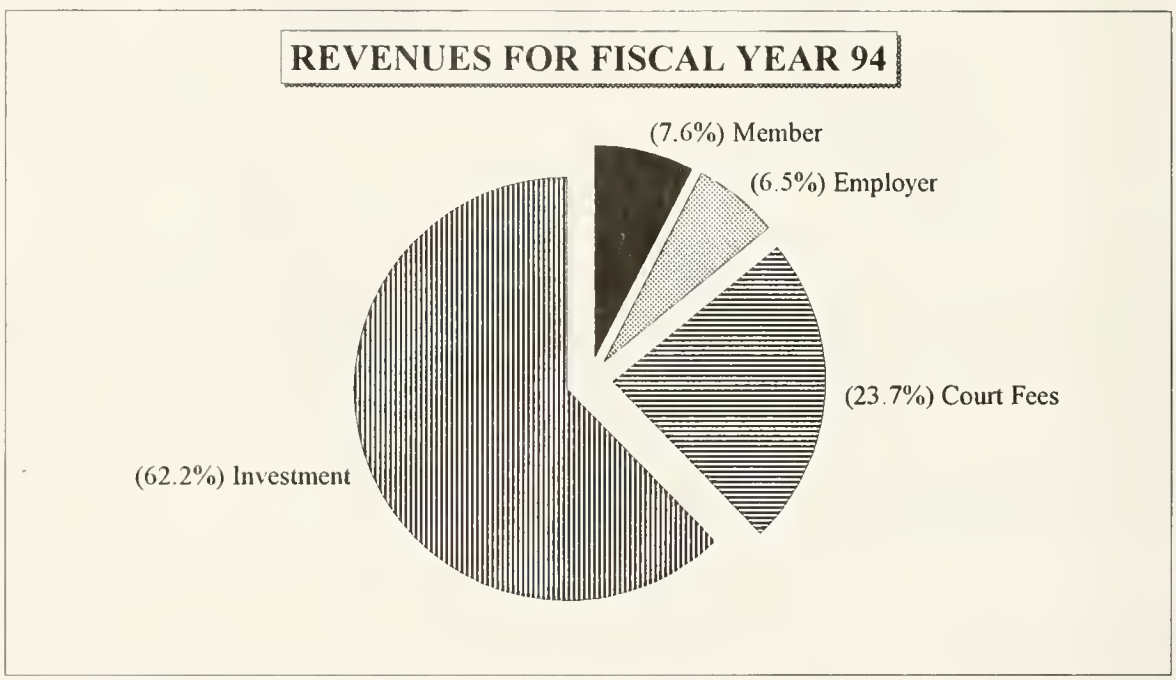
E. TEN-YEAR HISTORICAL TREND INFORMATION

Ten-year historical trend information (to the extent available) designed to provide information about the JRS progress made in accumulating sufficient assets to pay benefits when due is presented on pages 114 through 116.

STATE OF MONTANA
JUDGES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
COMPARATIVE SUMMARY OF REVENUES BY SOURCE

Fiscal	*Contributions*		*Percent of*	*Retirement*	*Court*	*Investment*	
Year	*Member*	*Employer*	*Cvrd.Pyrll.**	*Adjustment*	*Fees*	*Income***	*Total*
06/30/85	119,603	117,331	6.87%	0	608,812	640,363	1,486,109
06/30/86	127,395	125,992	6.09%	0	648,135	829,759	1,731,281
06/30/87	126,818	122,602	6.77%	0	549,873	879,367	1,678,660
06/30/88	128,182	123,595	5.96%	0	449,862	952,217	1,653,856
06/30/89	131,317	124,390	6.00%	0	513,274	1,060,762	1,829,743
06/30/90	151,873	130,781	5.95%	0	546,411	1,155,035	1,984,100
06/30/91	161,272	137,621	5.71%	0	556,251	1,210,391	2,065,535
06/30/92	174,072	149,077	5.55%	15,149	562,540	1,269,015	2,169,853
06/30/93	186,341	159,723	5.87%	18,830	595,769	1,448,592	2,409,255
06/30/94	**193,702**	**166,016**	**5.98%**	**0**	**603,996**	**1,588,697**	**2,552,411**



* Single employer system's percentage of annual covered employer payroll.

** Includes Common Stock Dividends.

Member & employer contributions were made in accordance with actuarially determined and statutory contribution requirements.

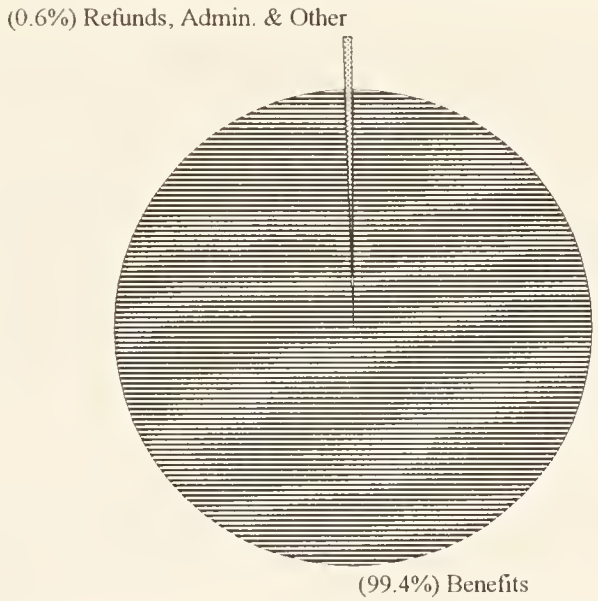
Court fee contributions were not made in accordance with actuarially determined and statutory contribution requirements.

STATE OF MONTANA
JUDGES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
COMPARATIVE SUMMARY OF EXPENSES BY TYPE

Fiscal Year	*Benefits*	*Refunds**	*Admin Expenses***	*Other****	*Total*
06/30/85	417,235	0	3,553	0	420,788
06/30/86	437,240	2,939	4,489	6,495	451,163
06/30/87	436,094	22,766	5,142	(21,834)	442,168
06/30/88	447,269	0	5,763	1	453,033
06/30/89	471,154	0	3,020	(8,892)	465,282
06/30/90	568,382	41,849	2,788	465	613,484
06/30/91	573,762	0	3,143	3,182	580,087
06/30/92	636,596	27,191	4,365	(195)	667,957
06/30/93	797,107	0	4,131	979	802,217
06/30/94	**745,352**	**0**	**4,320**	**0**	**749,672**

EXPENSES FOR FISCAL YEAR 94



***Includes Interest on Refunds**
****Includes Investment Expense**
*****Includes Prior Year Adjustments**

STATE OF MONTANA
JUDGES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS
(In millions of dollars)

Fiscal Year	*Net Assets Available for Benefits*	*Pension Benefit Obligation*	*Percent Funded*	*Unfunded PBO*	*Annual Covered Payroll*	*Unfunded PBO as a Percentage of Covered Payroll*
1988+	$10.2	$15.0	68.0%	$4.8	$2.1	228.6%
1989	11.6	16.2	71.6%	4.6	2.1	219.0%
1990	12.9	18.0	71.7%	5.1	2.2	231.8%
1991	14.4	20.8	69.5%	6.3	2.4	262.6%
1992	15.9	22.5	70.8%	6.6	2.7	245.0%
1993	17.5	23.2	75.6%	5.7	2.7	208.5%
1994++	**19.3**	**24.1**	**80.2%**	**4.8**	**2.8**	**171.6%**

Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.

+ Net effect of changes in actuarial susumptions decreased PBO by $233,346.
++ Net effect of changes in actuarial susumptions (due to 1994 Experience Study) decreased PBO by $3,236.

* Net Assets at cost.

This comparative information is only available from FY88 to FY94.

STATE OF MONTANA
JUDGES' RETIREMENT SYSTEM

ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS

FISCAL YEAR	REVENUES	EXPENSES	ANNUAL ADDITIONS	NET ASSETS AVAILABLE
06/30/85	1,486,109	420,788	1,065,321	6,614,467
06/30/86	1,606,206	451,163	1,155,043	7,769,510
06/30/87	1,678,660	442,168	1,236,492	9,006,002
06/30/88	1,653,856	453,033	1,200,823	10,206,825
06/30/89	1,829,743	465,282	1,364,461	11,571,286
06/30/90	1,984,100	613,484	1,370,616	12,941,902
06/30/91	2,065,536	580,088	1,485,448	14,427,350
06/30/92	2,169,853	667,957	1,501,896	15,929,246
06/30/93	2,409,254	802,217	1,607,037	17,536,284
06/30/94	**2,552,411**	**749,672**	**1,802,739**	**19,339,023**

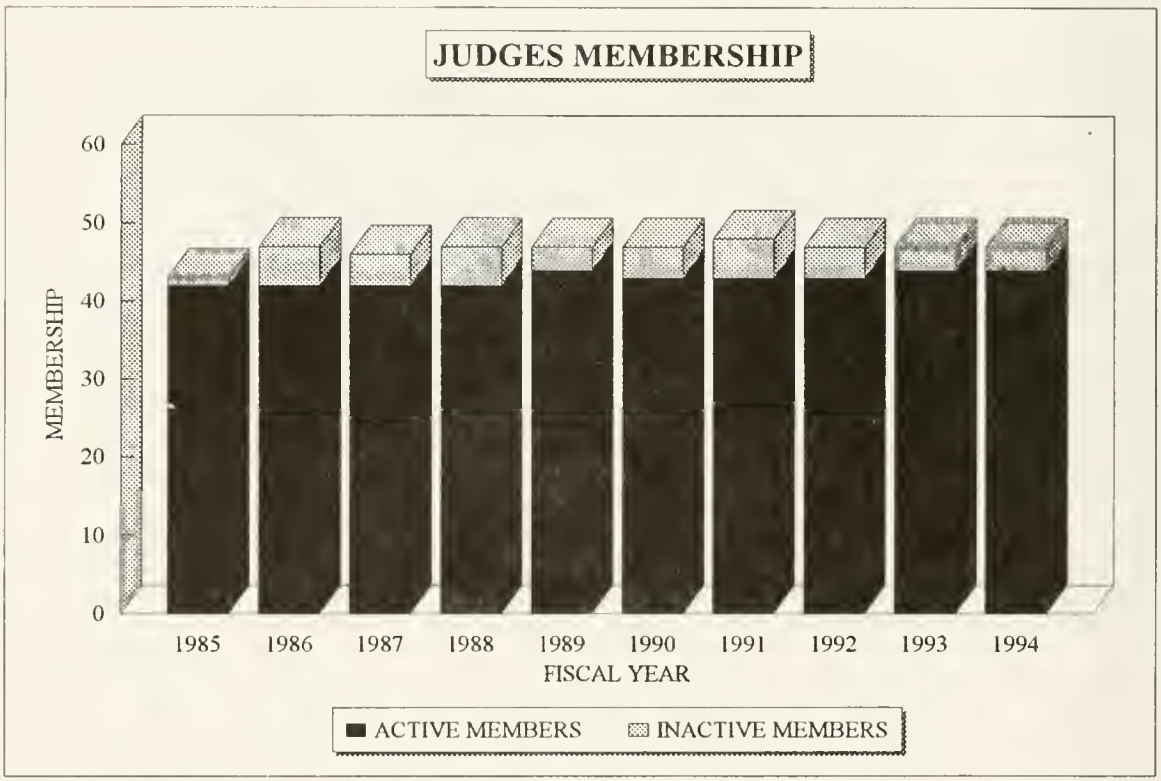
STATUTORY CONTRIBUTION RATES

FISCAL YEAR	EMPLOYEE PERCENT	EMPLOYER PERCENT
1979-1983	6.00	6.00
1984-1991	6.00/7.00	6.00
1992-1994	**7.00**	**6.00**

STATE OF MONTANA
JUDGES' RETIREMENT SYSTEM

MEMBERSHIP

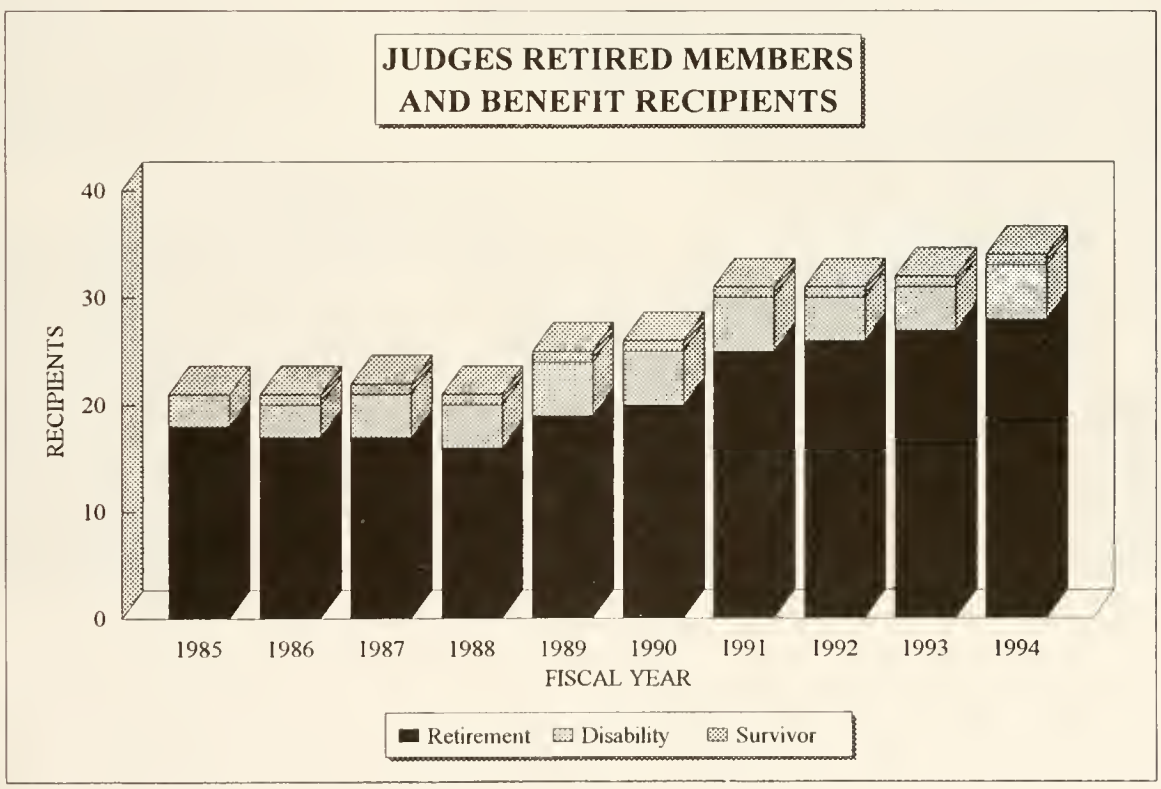
Fiscal Year	*Active Members*	*Inactive Members*	*Total*
06/30/85	42	1	43
06/30/86	42	5	47
06/30/87	42	4	46
06/30/88	42	5	47
06/30/89	44	3	47
06/30/90	43	4	47
06/30/91	43	5	48
06/30/92	43	4	47
06/30/93	44	3	47
06/30/94	**44**	**3**	**47**



STATE OF MONTANA
JUDGES' RETIREMENT SYSTEM

RETIRED MEMBERS AND BENEFIT RECIPIENTS

Fiscal Year	*Retirement*	*Disability*	*Survivor*	*Total*
06/30/85	18	3	0	21
06/30/86	17	3	1	21
06/30/87	17	4	1	22
06/30/88	16	4	1	21
06/30/89	19	5	1	25
06/30/90	20	5	1	26
06/30/91	25	5	1	31
06/30/92	26	4	1	31
06/30/93	27	4	1	32
06/30/94	**28**	**5**	**1**	**34**



HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM



Photo compliments of Mike O'Connor

STATE OF MONTANA

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DEPUTY LEGISLATIVE AUDITORS:
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Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheet of the Highway Patrol Officers' Retirement System as of June 30, 1994, and the related statement of revenues, expenses, and changes in fund balance for each of the two fiscal years ended June 30, 1994 and 1993, as shown on pages 124 through 133. The information contained in these financial statements is the responsibility of the system's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Highway Patrol Officers' Retirement System at June 30, 1994 and the results of its operations for the years ended June 30, 1994 and 1993 in conformity with generally accepted accounting principles.

The trend information following the notes to the financial statements on pages 134 through 136 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The other data included in this report have not been audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

December 2, 1994

STATE OF MONTANA
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM

BALANCE SHEET

JUNE 30, 1994

ASSETS	
Cash In Treasury	$132,377
Interest Receivable	459,483
Accounts Receivable	50,346
Corporate Securities, at amortized cost (market value $13,134,616)	13,446,070
U.S. Government Securities, at amortized cost (market value $12,812,757)	13,344,530
Canadian Securities, at amortized cost (market value $1,025,719)	934,785
Short Term Investment Pool	1,150,000
Common Stock, at cost (market value $10,387,766)	6,851,950
Leveraged Buy-Outs, at cost (market value $375,394)	375,394
Deferred Gains/(Losses)	106,769
Total Assets	**$36,851,704**
LIABILITIES	
Accounts Payable	14,572
Net Assets Available For Benefits	**$36,837,132**
FUND BALANCE	
Actuarial present value of projected benefits payable:	
to current retirants and beneficiaries	$38,739,007
to terminated vested participants	166,708
Actuarial present value of credited projected benefits for active employees:	
Member contributions	6,068,899
Employer-financed	17,882,054
Total actuarial present value of credited projected benefits	62,856,668
Unfunded actuarial present value of credited projected benefits	(26,019,536)
Total Fund Balance	**$36,837,132**

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE

FOR FISCAL YEARS ENDED JUNE 30, 1994 AND JUNE 30, 1993

	1994	*1993*
REVENUES		
Retirement Contributions		
Member	$571,308	$572,316
Employer	1,549,985	1,530,732
Retirement Adjustment	0	63,542
Registration Fees	266,485	255,462
License Fee Collections	540,648	595,980
Interest Reserve Buyback	165	0
Investment Income	2,653,625	2,332,091
Common Stock Dividends	278,693	251,494
Total Revenues	**$5,860,909**	**$5,601,617**
EXPENSES		
Benefit Payments	$2,933,227	$2,694,851
Refund Of Member Contributions	44,503	48,157
Interest On Refunds	12,181	18,447
Administrative Expense	11,503	10,507
Investment Expense	4,064	4,080
Total Expenses	**$3,005,478**	**$2,776,042**
OTHER FINANCING SOURCES - (USES)		
Prior Year Adjustments	$0	($11,051)
Excess Of Revenues Over Expenses	2,855,431	2,814,524
Fund Balance Beginning Of Year	33,981,701	31,167,177
Fund Balance End Of Year	**$36,837,132**	**$33,981,701**

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

A. PLAN DESCRIPTION

1. PLAN MEMBERSHIP

The Public Employees' Retirement Board is the administrator of the Highway Patrol Officers' Retirement System (HPORS), a statewide retirement plan established in 1971 in accordance with Title 19, chapters 2 & 6 of the Montana Code Annotated for all Montana highway patrol officers, including supervisory personnel. The HPORS is a single-employer, defined benefit plan. Benefits are vested after five years of membership service.

HPORS MEMBERSHIP DATA

	June 30, 1994	June 30, 1993
ACTIVE MEMBERS BY EMPLOYER:		
State	202	197
TOTAL	**202**	**197**
ACTIVE MEMBERS:		
Vested	118	126
Non-vested	84	71
TOTAL	**202**	**197**
INACTIVE MEMBERS:		
Vested	3	4
Non-vested	5	4
TOTAL	**8**	**8**
BENEFIT RECIPIENTS:		
Service Retirements	193	182
Disability Retirements	12	10
Survivor Benefits	16	16
TOTAL	**221**	**208**

2. BENEFIT PROVISIONS

A. PENSION BENEFITS

Benefit provisions are established by state law and may be modified only by the State of Montana Legislature. A member employed on or before July 1, 1985 may retire with a regular service retirement benefit after completing 20 years of membership service. A member employed after July 1, 1985 may retire after attaining age 50 with 20 years of service. The retirement benefit, payable monthly for life, is based on the following formula:

HPORS BENEFIT FORMULA
2.5% X Years of Service X Final Average Salary (FAS)

FAS is the average of the member's highest monthly compensation during any 36 consecutive months of membership service. The benefit will continue to the retiree's surviving spouse or dependent child(ren) upon the retiree's death.

B. DEFERRED BENEFITS

A vested member leaving covered employment before attaining regular retirement eligibility is eligible for a monthly benefit upon request (actuarially reduced from age 60), provided the accumulated contributions are left on deposit.

C. DISABILITY BENEFITS

A member who becomes totally and permanently disabled is eligible for a disability benefit equal to:

1) the actuarial equivalent of the service retirement benefit earned if ***non-service related,*** *or*

2) not less than one-half of the member's FAS if the disability was ***incurred in the line of duty***.

The benefit will continue to the retiree's surviving spouse or dependent child(ren) upon the retiree's death.

D. SURVIVOR BENEFITS

Upon the death of an active member, the surviving spouse (or dependent child(ren)) is entitled to either:

1) in the case of ***death from other causes***, a monthly benefit equal to the actuarial equivalent of the member's service retirement benefit, *or*

2) in the case of a ***duty-related death***, a monthly benefit equal to one-half of the member's final average salary.

E. BENEFIT ENHANCEMENTS AFTER RETIREMENT

Monthly benefits are increased when they fall below a statutorily guaranteed minimum which is calculated by substituting the current base salary of a probationary highway patrol officer for the member's FAS in the benefit formula. Any annual increase is limited to 5% over the current benefit.

Montana highway patrol officers, retired prior to July 1, 1991, or their survivors, may be eligible for an annual supplemental lump-sum payment funded by a portion of each motor vehicle registration fee. Many factors must be considered for eligibility, among them are the number of years the recipient has received a benefit and the age of recipient. The average payment in fiscal year 1994 was $1,996. For fiscal year 1993, the average payment was $2,338.

F. REFUND OF CONTRIBUTIONS

If a member leaves covered employment before retirement, member contributions plus accrued interest earnings may be refunded to the member. If the member returns to service and repays the withdrawn contributions plus the interest the contributions would have earned had they remained on deposit, membership service is fully restored.

3. CONTRIBUTION RATES

A. MEMBER CONTRIBUTIONS

Employee and employer contribution rates are established by state law and may be amended only by the State of Montana Legislature. The contribution rate for fiscal years 1993 and 1994 was 9%. Member contributions are deducted from each member's monthly compensation and remitted by the employer. An individual account is established for each member's contributions and interest

allocations until a retirement or refund request is processed.

B. EMPLOYER CONTRIBUTIONS

During fiscal years 1993 and 1994, the State contributed an amount equal to 36.28% of total HPORS-covered payroll to the retirement system on a monthly basis. 26.10% is payable from the same source used to pay the members' compensation and the remaining 10.18% from a portion of the fees collected from drivers' licenses and duplicate drivers' license applications.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & PLAN ASSET MATTERS

1. METHOD OF ACCOUNTING

The HPORS is included in the State of Montana's financial statements as a pension trust fund. The accounting records and financial statements prepared by the Public Employees' Retirement Division (PERD) use the fund accounting principals based on the accrual basis of accounting. The accrual method records expenses when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable.

2. VALUATION OF INVESTMENTS

Investments of the fund are invested in four major areas: Short Term Investment Pool (STIP), Montana Common Stock Pool (Mont-Comp), Securities, and Mortgages.

A. *STIP* is carried at cost and is currently valued at $100.00 per unit plus income accrued since the last distribution. Income is distributed on the last business day of the month and the Public Employees' Retirement Board elects to have all STIP income automatically reinvested.

B. *MONT-COMP* is carried at cost for financial reporting purposes. Mont-Comp's unit value is calculated once a month at the close of the last business day of the month and is based upon the market value of the equity holdings. The PERD can only buy or sell units on the first business day of the month. Investment income is distributed to the HPORS on the last business day of the month. This distribution is based on the full accrual method. Therefore, all dividends and interest accrued during the month are based on the number of outstanding units.

C. *SECURITIES* are recorded at book value (original costs adjusted for discount and premium amortization). Premiums and discounts are amortized using the straight-line method over the life of the securities. Bond swaps involve trading one bond for another bond having the same par value for the purpose of enhancing each fund's portfolio content and yield. Gains or losses from bond swaps are deferred and amortized over the shorter of either the remaining life of the bonds sold or the life of the replacement bonds purchased.

D. *MORTGAGES* have an average life of eight years which is used for the amortization of mortgage discounts.

The following is the listing of investments at fiscal year end 1994:

HPORS INVESTMENTS

Type	Cost	Market
Corporate Securities	$13,446,070	$13,134,616
US Government Securities	13,344,530	12,812,757
Canadian Securities	934,785	1,025,719
Short Term Investment Pool	1,150,000	1,150,000
Mont-Comp (Common Stock)	6,851,950	10,387,766
Leveraged Buy-Outs	375,394	375,394
Deferred Gains/(Losses)	106,769	106,769
TOTAL INVESTMENTS	**$36,209,498**	**$38,993,021**

C. FUNDING STATUS & PROGRESS

The "pension benefit obligation" is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the HPORS's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons with other public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the HPORS, discussed in D below.

The pension benefit obligation was determined as part of the required actuarial valuation at June 30, 1994. Significant actuarial assumptions used include:

1. a rate of return on investment of present and future assets of 8% compounded annually,
2. projected salary increases of 6% compounded annually, attributable to inflation,
3. no projected merit increases, *and*
4. a 6% increase in post-retirement benefits based on the assumption that the salary of a newly confirmed patrol officer will increase 6% per annum.

At June 30, 1994 the unfunded pension benefit obligation for the HPORS was $ 26,019,536 as follows:

ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS		
INACTIVES:		
Current retirants & beneficiaries	$38,739,007	
Terminated vested participants	166,708	
Total Inactive		$38,905,715
ACTIVE MEMBERS:		
Accumulated member contributions	$ 6,068,899	
Employer-financed vested	16,638,961	
Employer-financed non-vested	1,243,093	
Total Active Members		$23,950,953
TOTAL PENSION BENEFIT OBLIGATION:		$62,856,668
NET ASSETS AVAILABLE FOR BENEFITS		
COST:		$36,837,132
MARKET:		$40,466,203
TOTAL UNFUNDED PENSION BENEFIT OBLIGATION:		$26,019,536
COVERED PAYROLL:		$ 5,650,257

The actuarial assumptions used in the valuation of June 30, 1993 were modified in the June 30, 1994 valuation (see *Actuarial Section in the Public Employees' Retirement Board's Annual Financial Report* for complete list of assumptions). The net effect of the assumption changes was an increase of $882,786 or 1.4% in the Projected Pension Benefit Obligation.

D. CONTRIBUTIONS REQUIRED & CONTRIBUTIONS MADE

The HPORS funding policy provides for periodic employer, employee, and state contributions at rates established by state law. The contribution requirements are not actuarially determined; however, an actuary does determined the actuarial implications of the funding requirement in a biennial actuarial valuation. The last actuarial valuation, at July 1, 1994, determined that the regular contribution rate is sufficient to amortize the unfunded past service liability over a period of 26.35 years. This period has decreased from 28.8 years in 1992. The actuarial method used to determine the implications of the statutory funding level is the entry age normal funding method, with both normal cost and amortization of the unfunded accrued liability determined as a level percentage of payroll. Covered payroll totalled $5,650,257.

Contributions to the system for the year ending June 30, 1994 were as follows:

	Amount	Actual % of Compensation	Required % of Compensation
Employer	$ 1,549,984	27.43	26.10
Employee	571,308	10.11	9.00
License & Registration Fees	807,133	14.29	10.18
Total	$ 2,928,425	51.83	

These contributions are applied as follows:

	Amount	% of Compensation
Normal Cost	1,458,896	25.82
Amortization of Unfunded Liability	1,469,529	26.01
Total	$ 2,928,425	51.83

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed in C above. There were no changes made in the method used to determine contribution requirements during the current year. Also, there were no changes in the benefit provisions.

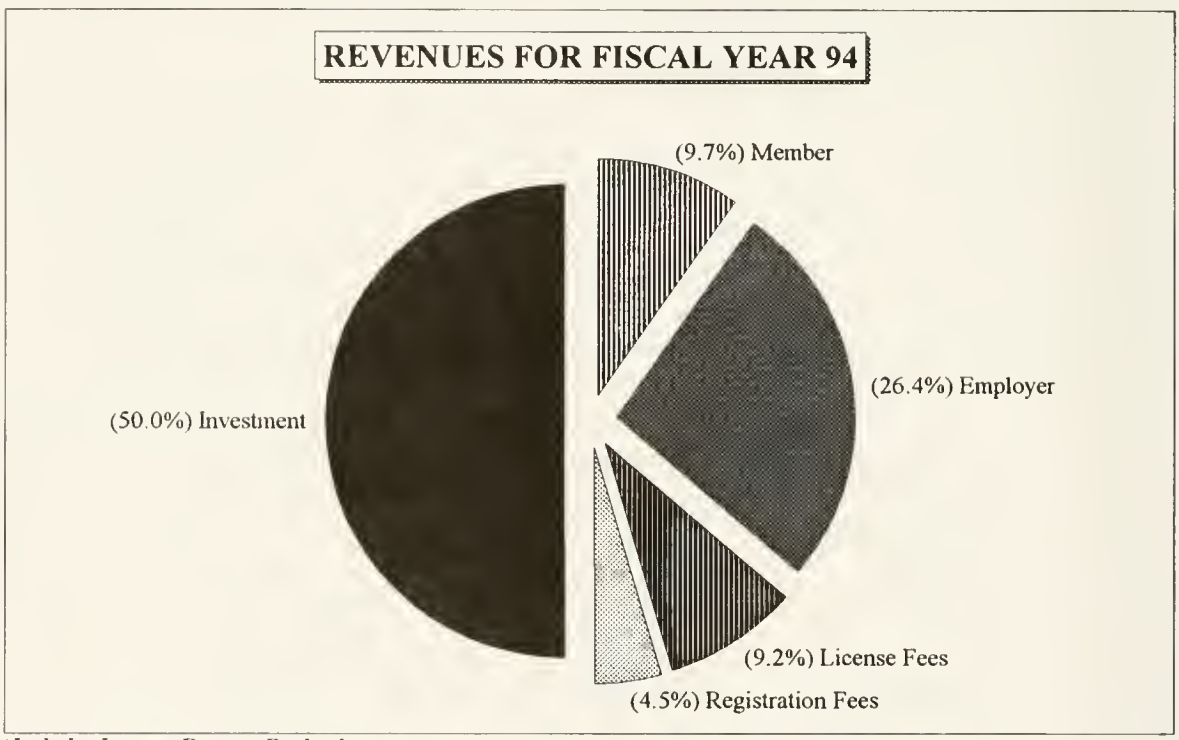
E. TEN-YEAR HISTORICAL TREND INFORMATION

Ten-year historical trend information (to the extent available) designed to provide information about the HPORS progress made in accumulating sufficient assets to pay benefits when due is presented on pages 134 through 136.

STATE OF MONTANA
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM

REQUIRED SUPLEMENTARY INFORMATION
COMPARATIVE SUMMARY OF REVENUES BY SOURCE

Fiscal Year	*Contributions Member**	*Employer*	*Percent of Cvrd. Pyrll***	*Retirement Adjustment*	*License Fees*	*Regis. Fees*	*Investment Income****	*Total*
06/30/85	385,702	857,476	14.45%	0	0	0	1,287,715	2,530,893
06/30/86	487,531	881,180	16.71%	0	650,619	0	1,653,267	3,672,597
06/30/87	464,598	874,408	14.28%	0	654,896	0	1,782,805	3,776,707
06/30/88	448,324	843,118	17.20%	0	645,131	0	1,934,991	3,871,564
06/30/89	439,807	893,383	18.49%	0	417,881	0	2,160,631	3,911,702
06/30/90	449,680	890,069	17.28%	0	605,896	205,572	2,306,875	4,458,092
06/30/91	467,494	903,476	17.40%	0	531,295	247,625	2,380,829	4,530,719
06/30/92	595,555	1,503,561	26.97%	55,142	587,593	287,593	2,541,927	5,571,371
06/30/93	572,316	1,530,732	27.58%	63,542	595,980	255,462	2,583,585	5,601,617
06/30/94	**571,473**	**1,549,985**	**27.43%**	**0**	**540,648**	**266,485**	**2,932,318**	**5,860,909**



***Includes Interest Reserve Buyback.**

****Single employer system's percentage of annual covered employer payroll.**

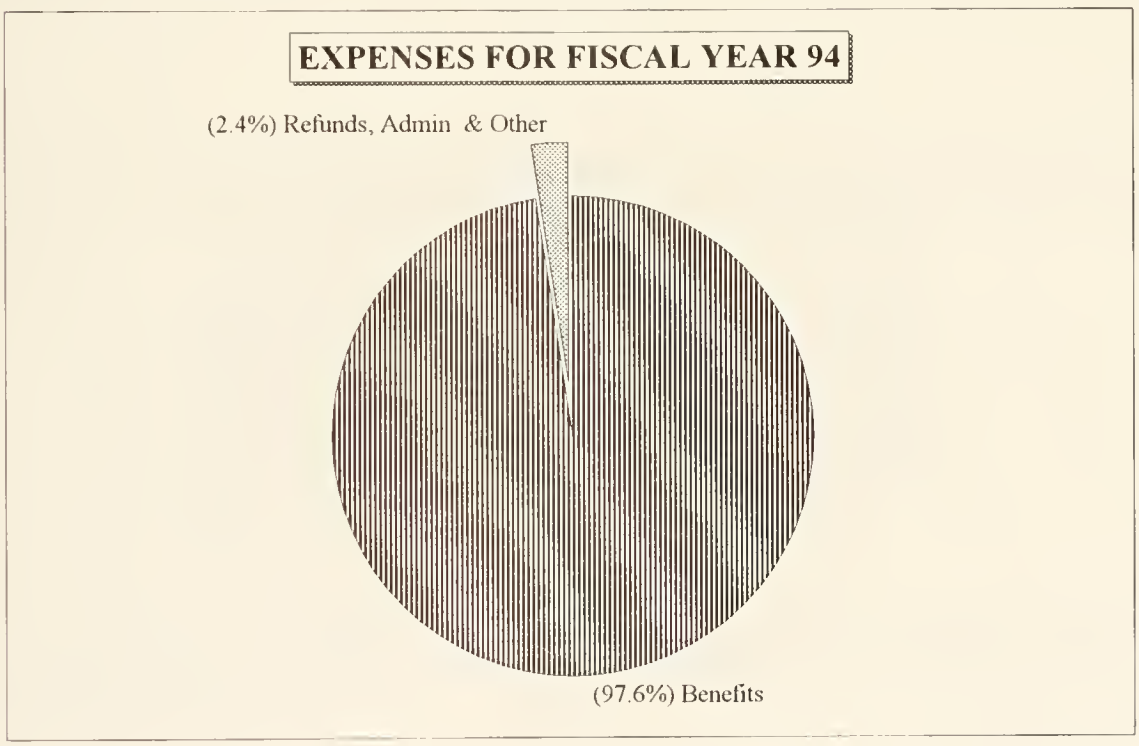
*****Includes Common Stock Dividends.**

Contributions were made in accordance with actuarially determined and statutory contribution requirements.

STATE OF MONTANA
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
COMPARATIVE SUMMARY OF EXPENSES BY TYPE

Fiscal Year	*Benefits*	*Refunds**	*Admin Expenses***	*Other****	*Total*
06/30/85	843,029	1,911	9,434	(3,747)	850,627
06/30/86	974,114	1,696	11,431	6,132	993,373
06/30/87	1,159,078	34,022	13,240	0	1,206,340
06/30/88	1,388,129	3,130	14,388	(1,159)	1,404,488
06/30/89	1,560,984	35,699	10,251	318,409	1,925,343
06/30/90	1,698,352	2,069	10,033	6,714	1,717,168
06/30/91	1,897,390	52,982	10,756	7,868	1,968,996
06/30/92	2,350,083	10,190	14,757	221,154	2,596,184
06/30/93	2,694,851	66,604	14,587	11,051	2,787,093
06/30/94	**2,933,227**	**56,684**	**15,567**	**0**	**3,005,478**



***Includes Interest on Refunds**

**** Includes Investment Expense.**

***** Includes Prior Year Adjustments.**

STATE OF MONTANA
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS
(In millions of dollars)

Fiscal Year	*Net Assets Available For Benefits**	*Pension Benefit Obligation*	*Percent Funded*	*Unfunded PBO*	*Annual Covered Payroll*	*Unfunded PBO As A Percent Of Covered Payroll*
1988+	$20.9	$40.8	51.2%	$19.9	$4.9	405.9%
1989	22.9	42.8	53.5%	19.9	4.8	414.6%
1990	25.6	45.7	56.0%	20.1	5.2	386.5%
1991	28.2	53.0	53.2%	24.8	5.2	476.9%
1992	31.2	57.0	54.7%	25.9	5.6	463.8%
1993	34.0	59.6	57.0%	25.6	5.5	461.4%
1994++	**36.8**	**62.9**	**58.6%**	**26.0**	**5.7**	**460.5%**

Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.

+ Net effect of changes in actuarial assumptions increased PBO by $175,225.

++ Net effect of changes in actuarial assumptions (due to 1994 Experience Study) increased PBO by $882,786.

* Net Assets at cost.

This comparative information is only available from FY88 to FY94.

STATE OF MONTANA
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM

ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS

FISCAL YEAR	REVENUES	EXPENSES	ANNUAL ADDITIONS	NET ASSETS AVAILABLE
06/30/85	2,530,893	850,627	1,680,266	13,186,317
06/30/86	3,672,597	993,373	2,679,224	15,865,541
06/30/87	3,776,707	1,206,340	2,570,367	18,435,908
06/30/88	3,871,564	1,404,488	2,467,076	20,902,984
06/30/89	3,911,702	1,925,343	1,986,359	22,889,343
06/30/90	4,458,092	1,717,168	2,740,924	25,630,267
06/30/91	4,530,719	1,968,996	2,561,723	28,191,990
06/30/92	5,571,371	2,596,184	2,975,187	31,167,177
06/30/93	5,601,617	2,787,093	2,814,524	33,981,701
06/30/94	**5,860,909**	**3,005,478**	**2,855,431**	**36,837,132**

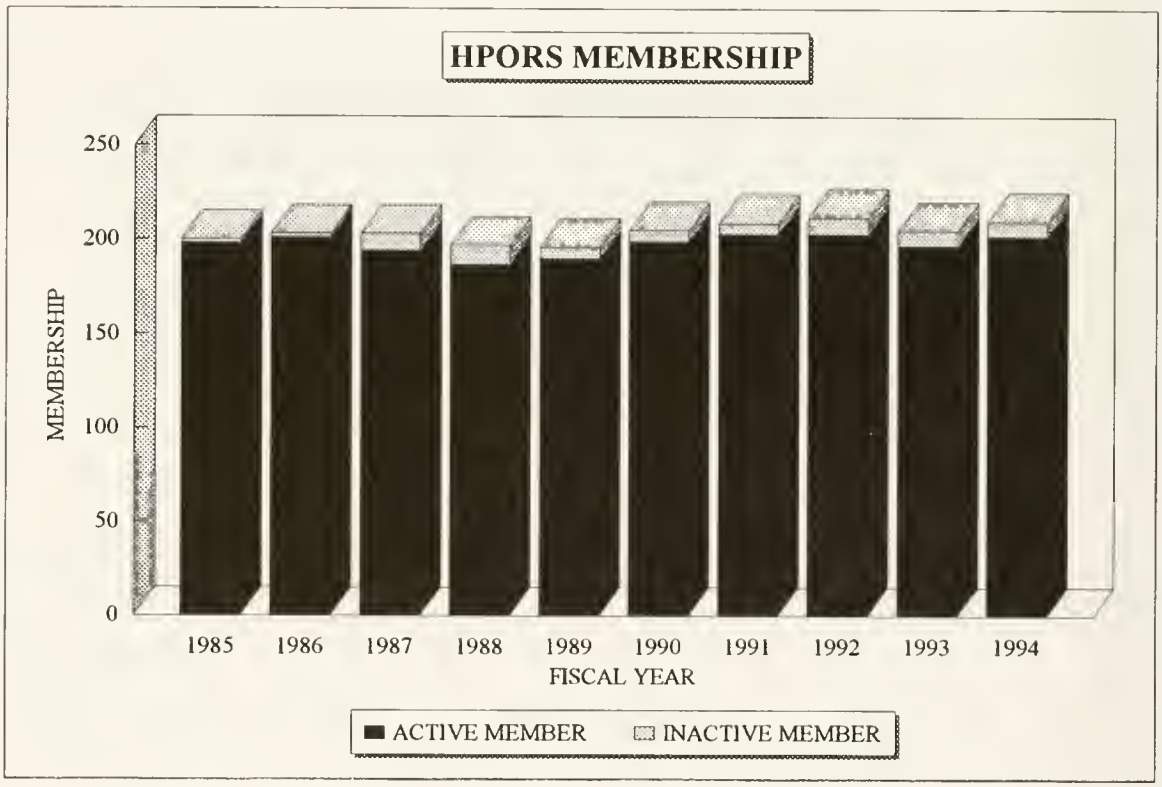
STATUTORY CONTRIBUTION RATES

FISCAL YEAR	EMPLOYEE PERCENT	EMPLOYER PERCENT
1979-1981	6.50	16.00
1982-1985	6.50	16.57
1986-1991	7.59	26.75
1992-1994	**9.00**	**36.28**

STATE OF MONTANA
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM

MEMBERSHIP

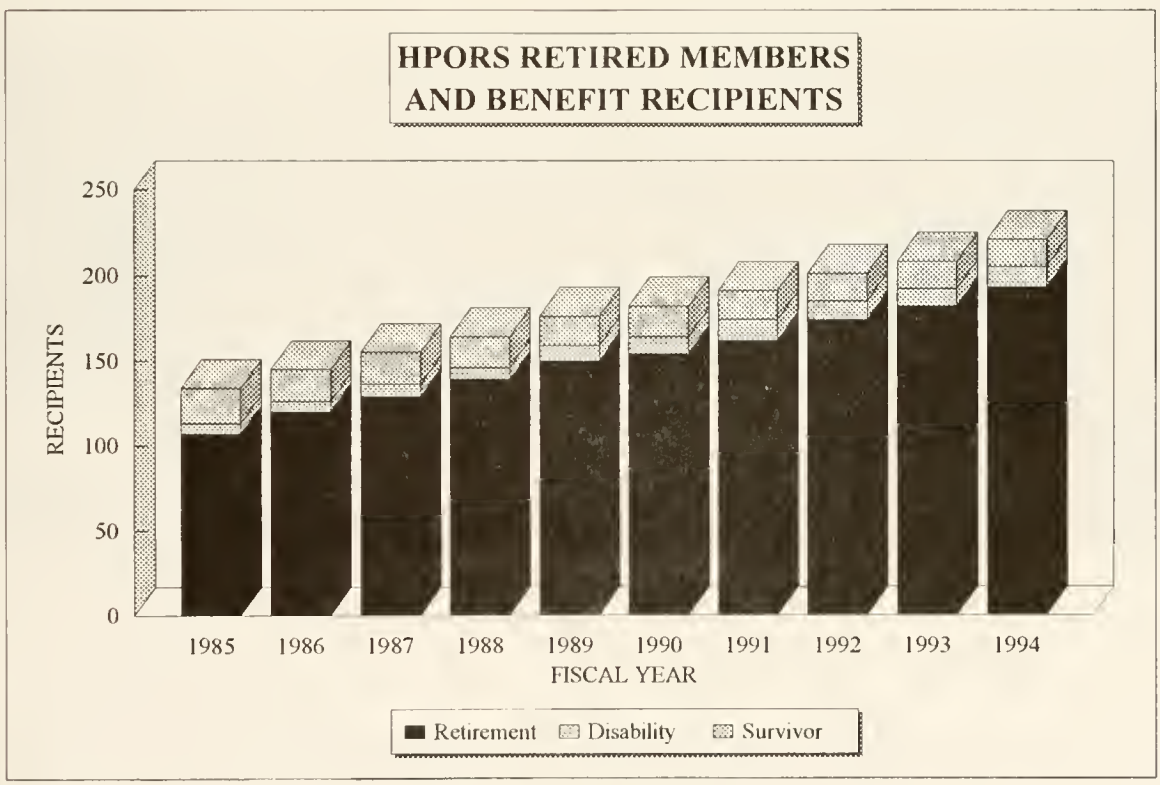
Fiscal Year	*Active Members*	*Inactive Members*	*Total*
06/30/85	198	2	200
06/30/86	201	2	203
06/30/87	194	9	203
06/30/88	187	10	197
06/30/89	190	6	196
06/30/90	199	6	205
06/30/91	203	6	209
06/30/92	203	9	212
06/30/93	197	8	205
06/30/94	**202**	**8**	**210**



STATE OF MONTANA
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM

RETIRED MEMBERS AND BENEFIT RECIPIENTS

Fiscal Year	*Retirement*	*Disability*	*Survivor*	*Total*
06/30/85	107	6	21	134
06/30/86	120	6	19	145
06/30/87	129	7	19	155
06/30/88	139	7	18	164
06/30/89	150	9	17	176
06/30/90	154	10	18	182
06/30/91	162	12	17	191
06/30/92	174	11	16	201
06/30/93	182	10	16	208
06/30/94	**193**	**12**	**16**	**221**



FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM



Photo compliments of Travel Montana/Joyce Clarke Turvey

STATE OF MONTANA

Office of the Legislative Auditor

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INDEPENDENT AUDITOR'S REPORT

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:
MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

We have audited the accompanying balance sheet of the Firefighters' Unified Retirement System as of June 30, 1994, and the related statement of revenues, expenses, and changes in fund balance for each of the two fiscal years ended June 30, 1994 and 1993, as shown on pages 144 through 153. The information contained in these financial statements is the responsibility of the system's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Firefighters' Unified Retirement System at June 30, 1994 and the results of its operations for the years ended June 30, 1994 and 1993 in conformity with generally accepted accounting principles.

The trend information following the notes to the financial statements on pages 154 through 156 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The other data included in this report have not been audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

December 2, 1994

STATE OF MONTANA
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM

BALANCE SHEET

JUNE 30, 1994

ASSETS	
Cash In Treasury	$53,986
Interest Receivable	739,862
Accounts Receivable	4,225,632
Corporate Securities, at amortized cost (market value $18,384,054)	18,622,468
U.S. Government Securities, at amortized cost (market value $16,078,266)	16,768,938
Canadian Securities, at amortized cost (market value $848,444)	773,303
Short Term Investment Pool	1,559,000
Common Stock, at cost (market value $11,651,714)	8,735,794
Leveraged Buy-Outs, at cost (market value $375,394)	375,394
Deferred Gains/(Losses)	(288,515)
Total Assets	**$51,565,862**
LIABILITIES	
Accounts Payable	23,129
Deferred Revenue	74
Net Assets Available For Benefits	**$51,542,659**
FUND BALANCE	
Actuarial present value of projected beneftis payable:	
to current retirants and beneficiaries	$53,385,394
to terminated vested participants	704,464
Actuarial present value of credited projected beneftis for active employees:	
Member Contributions	11,205,704
Employer-financed	49,046,177
Total actuarial present value of credited projected benefits	114,341,739
Unfunded actuarial present value of credited projected benefits	(62,799,080)
Total Fund Balance	**$51,542,659**

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE

FOR FISCAL YEARS ENDED JUNE 30, 1994 AND JUNE 30, 1993

	1994	1993
REVENUES		
Retirement Contributions		
Member	$745,680	$698,760
Employer	1,614,694	1,510,600
State*	3,808,103	3,782,007
Interest Reserve Buyback	64	0
Investment Income	3,546,610	3,326,553
Common Stock Dividends	307,780	265,397
Total Revenues	**$10,022,931**	**$9,583,317**
EXPENSES		
Benefit Payments	$5,177,304	$5,041,063
Refund Of Member Contributions	32,810	16,861
Interest On Refunds	12,622	5,767
Administrative Expense	22,651	20,965
Investment Expense	5,269	5,403
Total Expenses	**$5,250,656**	**$5,090,059**
OTHER FINANCING SOURCES - (USES)		
Prior Year Adjustments	$9,860	$9,170
Excess Of Revenues Over Expenses	4,782,135	4,502,428
Fund Balance Beginning Of Year	46,760,524	42,258,096
Fund Balance End Of Year	**$51,542,659**	**$46,760,524**

***Includes Retirement Adjustment**

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

A. PLAN DESCRIPTION

1. PLAN MEMBERSHIP

The Public Employees' Retirement Board is the administrator of the Firefighters' Unified Retirement System (FURS), a statewide retirement plan established in 1981 in accordance with Title 19, chapters 2 & 13 of the Montana Code Annotated for firefighters employed by first and second class cities and those other cities that wish to adopt the Plan. The FURS is a multiple-employer, cost-sharing defined benefit plan. Benefits are vested after ten years of membership service.

FURS MEMBERSHIP DATA

	June 30, 1994	June 30, 1993
ACTIVE MEMBERS BY EMPLOYER:		
Anaconda	6	5
Billings	103	97
Bozeman	23	22
Butte	33	31
Glendive*	5	19
Great Falls	63	60
Havre	17	16
Helena	33	30
Kalispell	21	18
Lewistown*	7	15
Livingston*	15	15
Miles City*	13	13
Missoula	71	59
Red Lodge	2	2
14 EMPLOYERS		
TOTAL EMPLOYEES	**412**	**402**
ACTIVE MEMBERS:		
Vested	250	249
Non-vested	162	153
TOTAL	**412**	**402**
INACTIVE MEMBERS:		
Vested	5	12
Non-vested	43	39
TOTAL	**48**	**51**
BENEFIT RECIPIENTS:		
Service Retirements	266	261
Disability Retirements	116	113
Survivor Benefits	35	32
TOTAL	**417**	**406**

2. BENEFIT PROVISIONS

A. PENSION BENEFITS

Benefit provisions are established by state law and may be modified only by the State of Montana Legislature. A member may retire with a service retirement benefit after both completing ten years of membership service and attaining minimum service retirement age of 50. The retirement benefit, payable monthly for life, is based on one of the following formulas:

FURS BENEFIT FORMULA

1) For members hired before July 1, 1981:
50% X Last Monthly Compensation (LMC) +
1% X Years of Service over 20 X LMC
(Maximum benefit is 60% of LMC)

2) For members hired on or after July 1, 1981:
2% X Years of Service X Final Average Compensation (FAC)
(Maximum benefit is 60% of FAC)

For members hired prior to July 1, 1981, benefits are calculated based on LMC which is the regular monthly salary (excluding overtime, holiday pay, shift differentials, compensatory time payments, and payments in lieu of sick leave) last received by the member. For members hired on or after July 1, 1981, service retirement benefits are calculated based on FAC which is the average of the member's regular monthly pay during the last 36 months of service. The benefit will continue to the retiree's surviving spouse or dependent child(ren) upon the retiree's death.

B. DEFERRED BENEFITS

A vested member leaving covered employment before attaining retirement eligibility is eligible for a monthly benefit beginning on the first day of the month following the date the member attains age 50, provided the accumulated contributions are left on deposit.

C. DISABILITY BENEFITS

A member who becomes totally and permanently disabled is eligible for a

disability benefit equal to one-half of LMC plus 1% of LMC for each year in excess of 20 years of service, up to a maximum of 60% LMC. Upon death, the surviving spouse or dependent child(ren) will continue to receive the benefit.

D. SURVIVOR BENEFITS

Upon the death of an active member, the surviving spouse (or dependent child(ren) if there is no surviving spouse), is entitled to a monthly benefit equal to the following:

1) for members hired before July 1, 1981:
50% X LMC + 1% X Years of Service over 20 X LMC (up to a maximum of 60% of LMC), *or*

2) for members hire on or after July 1, 1981:
2% X Years of Service X FAC.

E. BENEFIT ENHANCEMENTS AFTER RETIREMENT

The monthly retirement benefit must be at least one-half of the salary of a newly confirmed firefighter employed by the city that last employed the member. For benefit recipients retired prior to July 1, 1973, the funding for this benefit adjustment is provided from the State's insurance premium tax fund, is paid to the benefit recipients.

F. REFUND OF CONTRIBUTIONS

If a member leaves covered employment before retirement, member contributions plus accrued interest earnings may be refunded to the member. If the member returns to service and repays the withdrawn contributions plus the interest the contributions would have earned had they remained on deposit, membership service is fully restored.

3. CONTRIBUTION RATES

A. MEMBER CONTRIBUTIONS

Employee, employer and State contribution rates are established by state law and may be amended only by the State of Montana Legislature. The contribution rate for fiscal years 1993 and 1994 was 6%. Contributions are deducted from each member's salary and remitted by participating employers. An individual account

is established for each member's contributions and interest allocations until aretirement or refund request is processed.

B. EMPLOYER CONTRIBUTIONS

During fiscal years 1993 and 1994, each participating city contributed 13.02% of total FURS-covered payroll to the retirement system on a monthly basis.

C. STATE CONTRIBUTIONS

The State contribution rate for fiscal years 1993 and 1994 is 23.27% of the total annual compensation for all covered firefighters covered by this system. A single annual payment is made from the insurance premium tax fund to the retirement trust fund. The amount received for fiscal year 1993 was $2,739,746. The amount recognized for fiscal year 1994 is $2,738,253.

D. SUPPLEMENTAL BENEFIT CONTRIBUTIONS

A single annual payment is received from the State Auditor's office, from the insurance premium tax fund. This additional contribution funds the supplemental retirement benefits for members retired prior to July 1, 1973. The amount received in fiscal year 1993 was $1,042,261. The amount recognized for fiscal year 1994 was $1,069,849.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & PLAN ASSET MATTERS

1. METHOD OF ACCOUNTING

The FURS is included in the State of Montana's financial statements as a pension trust fund. The accounting records and financial statements prepared by the Public Employees' Retirement Division (PERD) use the fund accounting principals based on the accrual basis of accounting. The accrual method records expenses when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable.

2. VALUATION OF INVESTMENTS

Investments of the fund are invested in four major areas: Short Term Investment Pool (STIP), Montana Common Stock Pool (Mont-Comp), Securities, and Mortgages.

A. *STIP* is carried at cost and is currently valued at $100.00 per unit plus income accrued since the last distribution. Income is distributed on the last business day of the month and the Public Employees' Retirement Board elects to have all STIP income automatically reinvested.

B. *MONT-COMP* is carried at cost for financial reporting purposes. Mont-Comp's unit value is calculated once a month at the close of the last business day of the month and is based upon the market value of the equity holdings. The PERD can only buy or sell units on the first business day of the month. Investment income is distributed to the FURS on the last business day of the month. This distribution is based on the full accrual method. Therefore, all dividends and interest accrued during the month are based on the number of outstanding units.

C. *SECURITIES* are recorded at book value (original costs adjusted for discount and premium amortization). Premiums and discounts are amortized using the straight-line method over the life of the securities. Bond swaps involve trading one bond for another bond having the same par value for the purpose of enhancing each fund's portfolio content and yield. Gains or losses from bond swaps are deferred and amortized over the shorter of either the remaining life of the bonds sold or the life of the replacement bonds purchased.

D. *MORTGAGES* have an average life of eight years which is used for the amortization of mortgage discounts.

The following is the listing of investments at fiscal year end 1994:

FURS INVESTMENTS

Type	Cost	Market
Corporate Securities	$18,622,468	$18,384,054
US Government Securities	16,768,938	16,078,266
Canadian Securities	773,303	848,444
Short Term Investment Pool	1,559,000	1,559,000
Mont-Comp (Common Stock)	8,735,794	11,651,714
Leveraged Buy-Outs	375,394	375,394
Deferred Gains/(Losses)	(288,515)	(288,515)
TOTAL INVESTMENTS	**$46,546,382**	**$48,608,357**

C. FUNDING STATUS & PROGRESS

The "pension benefit obligation" is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the

future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the FURS's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons with other public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the FURS, discussed in D below.

The pension benefit obligation was determined as part of the required actuarial valuation at June 30, 1994. When applicable, significant actuarial assumptions used include:

1. a rate of return on investment of present and future assets of 8% compounded annually,
2. projected salary increases of 6% compounded annually, attributable to inflation,
3. no projected merit increases, *and*
4. a 6% increase in post-retirement benefits.

At June 30, 1994 the unfunded pension benefit obligation for the FURS was $62,799,080 as follows:

ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS

INACTIVES:		
Current retirants & beneficiaries	$53,385,394	
Terminated vested participants	704,464	
Total Inactive		$ 54,089,858
ACTIVE MEMBERS:		
Accumulated member contributions	$11,205,704	
Employer-financed vested	44,300,460	
Employer-financed non-vested	4,745,717	
Total Active Members		$ 60,251,881
TOTAL PENSION BENEFIT OBLIGATION:		$114,341,739

NET ASSETS AVAILABLE FOR BENEFITS

COST:	$ 51,542,659
MARKET:	$ 54,646,716
TOTAL UNFUNDED PENSION BENEFIT OBLIGATION:	$ 62,799,080
COVERED PAYROLL:	$ 12,424,267

The actuarial assumptions used in the valuation of June 30, 1993 were modified in the June 30, 1994 valuation (see *Actuarial Section in the Public Employees' Retirement Board's 1994 Annual Financial Report* for complete list of assumptions). The net effect of the assumption changes was a decrease of $842,115 or 0.74% in the Projected Pension Benefit Obligation.

D. CONTRIBUTIONS REQUIRED & CONTRIBUTIONS MADE

The FURS funding policy provides for periodic employer, employee, and state contributions at rates established by state law. The contribution requirements are not actuarially determined; however, an actuary does determine the actuarial implications of the funding requirement in a biennial actuarial valuation. The last actuarial valuation, at July 1, 1994, determined that the regular contribution rate is sufficient to amortize the unfunded past service liability over a period of 25.46 years. This period has decreased from 30.36 years in 1992. The actuarial method used to determine the implications of the statutory funding level is the entry age normal funding method, with both normal cost and amortization of the unfunded accrued liability determined as a level percentage of payroll. Covered payroll totalled $12,424,267.

Contributions to the system for the year ending June 30, 1994 were as follows:

	Amount	Actual % of Compensation	Required % of Compensation
Employer	$ 1,614,694	13.00	13.02
Employee	745,680	6.00	6.00
State	*2,738,254	22.04	23.27
Total	$ 5,098,628	41.04	

* Excluding reimbursement for post-retirement benefits.

These contributions are applied as follows:

	Amount	% of Compensation
Normal Cost	$2,364,338	19.03
Amortization of Unfunded Liability	2,734,290	22.01
Total	$ 5,098,628	41.04

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed in C above. There were no changes made in the method used to determine contribution requirements during the current year. Also, there were no changes in the benefit provisions.

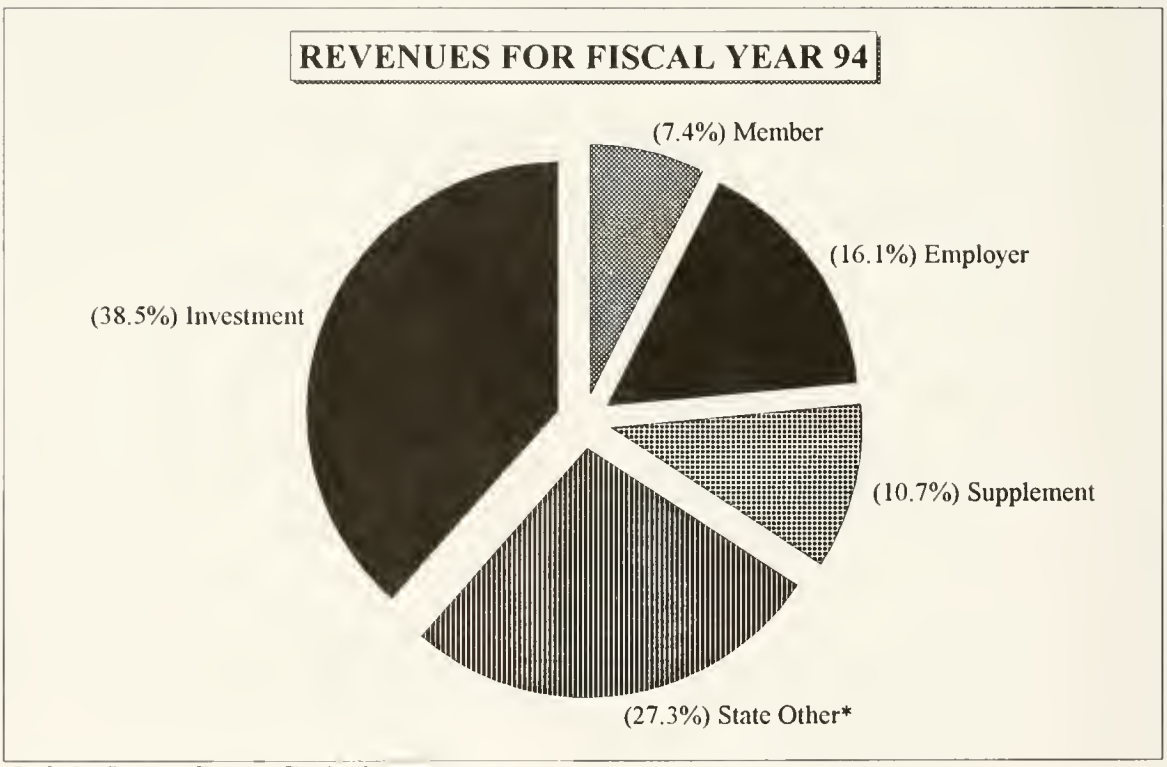
E. TEN-YEAR HISTORICAL TREND INFORMATION

Ten-year historical trend information (to the extent available) designed to provide information about the FURS progress made in accumulating sufficient assets to pay benefits when due is presented on pages 154 through 156.

STATE OF MONTANA
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
COMPARATIVE SUMMARY OF REVENUES BY SOURCE

Fiscal	*Contributions*		*State*		*Investment*	
Year	*Member**	*Employer*	*Supplement*	*Other***	*Income****	*Total*
06/30/85	520,534	1,549,402	920,527	1,510,803	1,651,912	6,153,178
06/30/86	539,886	1,236,716	967,522	1,792,021	2,310,399	6,846,544
06/30/87	553,959	1,210,874	972,053	2,061,424	2,001,595	6,799,905
06/30/88	572,011	1,230,022	965,237	2,125,361	2,263,608	7,156,239
06/30/89	595,142	1,293,491	934,172	2,227,326	2,685,971	7,736,102
06/30/90	601,765	1,305,728	942,490	2,281,430	2,971,661	8,103,074
06/30/91	642,567	1,385,387	979,856	2,343,461	3,207,661	8,558,932
06/30/92	668,357	1,443,810	1,008,873	2,595,528	3,302,547	9,019,115
06/30/93	698,760	1,510,600	1,042,261	2,739,746	3,591,950	9,583,317
06/30/94	**745,744**	**1,614,694**	**1,069,848**	**2,738,255**	**3,854,390**	**10,022,931**



***Includes Interest Reserve Buyback.**

****Includes percent of salary and retirement adjustment (SB226-FY92 & FY93).**

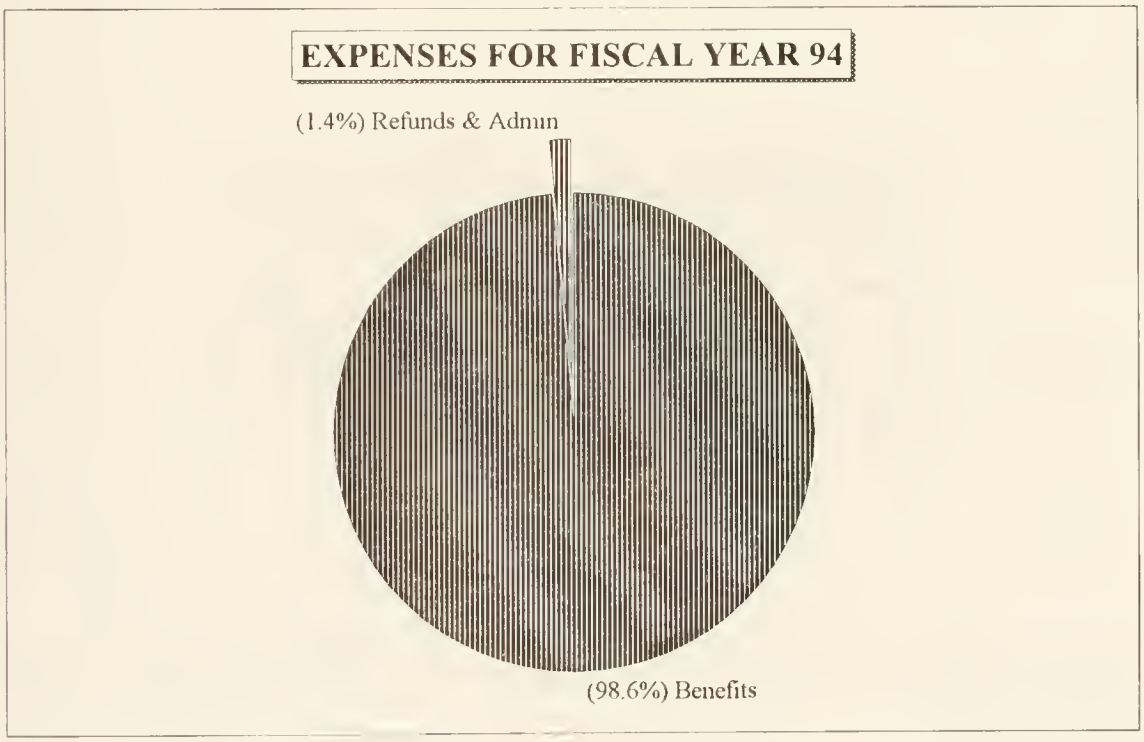
*****Includes Common Stock Dividends.**

Contributions were made in accordance with actuarially determined and statutory contribution requirements.

STATE OF MONTANA
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
COMPARATIVE SUMMARY OF EXPENSES BY TYPE

Fiscal Year	*Benefits*	*Refunds**	*Admin Expenses***	*Other****	*Total*
06/30/85	3,216,785	16,098	17,393	676,148	3,926,424
06/30/86	3,484,636	32,681	20,924	(11,407)	3,526,834
06/30/87	3,730,035	33,473	25,531	0	3,789,039
06/30/88	4,012,963	55,851	21,534	3,370	4,093,718
06/30/89	3,997,225	44,775	18,916	(74,938)	3,985,978
06/30/90	4,212,857	20,472	18,721	26,721	4,278,771
06/30/91	4,494,381	3,319	20,539	6,060	4,524,299
06/30/92	4,851,366	33,930	28,148	85,403	4,998,847
06/30/93	5,041,063	22,628	26,368	(9,170)	5,080,889
06/30/94	**5,177,304**	**45,432**	**27,920**	**(9,860)**	**5,240,796**



***Includes Interest on Refunds**
****Includes Investment Expense**
*****Includes Prior Year Adjustments**

STATE OF MONTANA
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS
(In millions of dollars)

Fiscal Year	*Net Assets Available for Benefits**	*Pension Benefit Obligation*	*Percent Funded*	*Unfunded PBO*	*Annual Covered Payroll*	*Unfunded PBO as a Percent of Covered Payroll*
1988+	$26.6	$82.1	32.4%	$55.5	$9.7	572.2%
1989	30.4	89.0	34.2%	58.6	9.7	604.1%
1990	34.2	91.6	37.3%	57.4	10.0	574.0%
1991	38.2	93.7	40.8%	55.5	10.3	539.6%
1992	42.3	101.6	41.6%	59.3	10.9	545.3%
1993	46.8	106.7	43.8%	59.9	11.6	518.1%
1994++	**51.5**	**114.3**	**45.1%**	**62.8**	**12.4**	**505.5%**

Expressing the net assets available for benefits as a percentage of the pension benefit obligation (PBO) provides one indication of the system's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Expressing the unfunded PBO as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits. Generally, the smaller this percentage, the stronger the system.

+ Net effect of changes in acturarial assumptions increased PBO by $387,815.

++ Net effect of changes in acturarial assumptions (due to 1994 Experience Study) decreased PBO by $842,115.

* Net Assets at cost.

This comparative information is only available from FY88 to FY94.

STATE OF MONTANA
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM

ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS

FISCAL YEAR	REVENUES	EXPENSES	ANNUAL ADDITIONS	NET ASSETS AVAILABLE
06/30/85	6,153,178	3,926,424	2,226,754	17,235,671
06/30/86	6,846,543	3,526,834	3,319,709	20,555,380
06/30/87	6,799,905	3,789,039	3,010,866	23,566,246
06/30/88	7,156,240	4,093,718	3,062,522	26,628,768
06/30/89	7,736,102	3,985,978	3,750,124	30,378,892
06/30/90	8,103,073	4,278,770	3,824,303	34,203,195
06/30/91	8,558,932	4,524,299	4,034,633	38,237,828
06/30/92	9,019,115	4,998,847	4,020,268	42,258,096
06/30/93	9,583,316	5,080,888	4,502,428	46,760,524
06/30/94	**10,022,931**	**5,240,796**	**4,782,135**	**51,542,659**

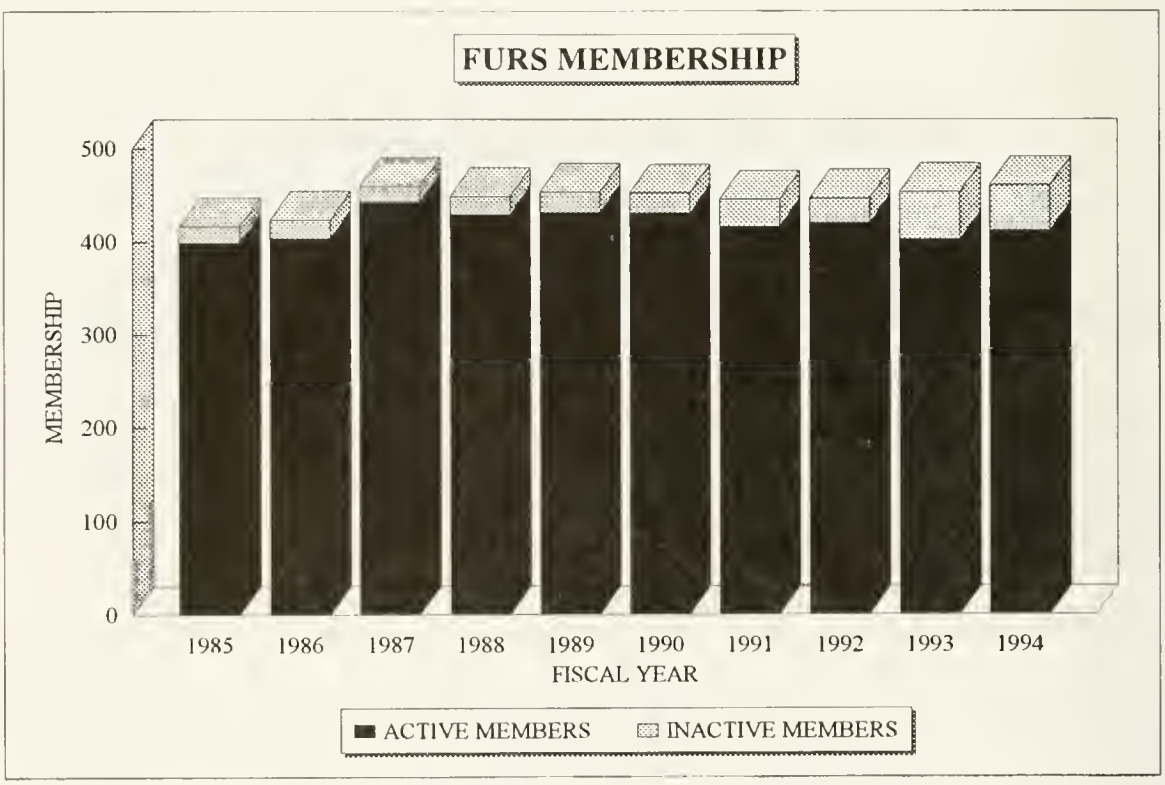
STATUTORY CONTRIBUTION RATES

FISCAL YEAR	EMPLOYEE PERCENT	EMPLOYER PERCENT	STATE PERCENT
1982	6.00	12.00	12.00
1983	6.00	15.00	15.00
1984-1985	6.00	18.00	18.00
1986-1991	6.00	13.02	22.98
1992-1994	**6.00**	**13.02**	**23.27**

STATE OF MONTANA
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM

MEMBERSHIP

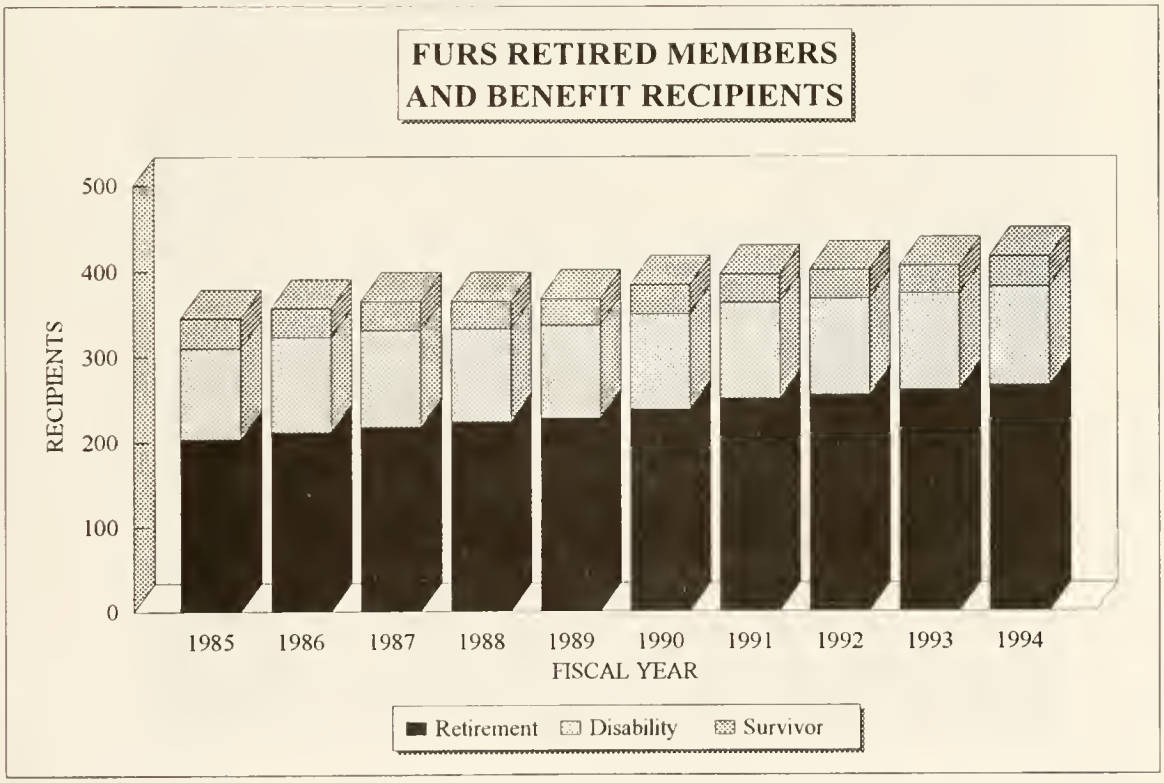
Fiscal Year	*Active Members*	*Inactive Members*	*Total*
06/30/85	398	18	416
06/30/86	403	20	423
06/30/87	442	17	459
06/30/88	429	19	448
06/30/89	431	22	453
06/30/90	430	22	452
06/30/91	416	29	445
06/30/92	420	26	446
06/30/93	402	51	453
06/30/94	**412**	**48**	**460**



STATE OF MONTANA
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM

RETIRED MEMBERS AND BENEFIT RECIPIENTS

Fiscal Year	*Retirement*	*Disability*	*Survivor*	*Total*
06/30/85	204	106	35	345
06/30/86	212	111	34	357
06/30/87	218	113	34	365
06/30/88	224	109	32	365
06/30/89	228	109	31	368
06/30/90	238	112	34	384
06/30/91	251	112	33	396
06/30/92	255	113	33	401
06/30/93	261	113	32	406
06/30/94	**266**	**116**	**35**	**417**



VOLUNTEER FIREFIGHTERS' COMPENSATION ACT



Photo compliments of Travel Montana/Mike Sample

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
PO BOX 201705
HELENA, MONTANA 59620-1705
406/444-3122
FAX 406/444-3036

INDEPENDENT AUDITOR'S REPORT

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:
MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

We have audited the accompanying balance sheet of the Volunteer Firefighters' Compensation Act as of June 30, 1994, and the related statement of revenues, expenses, and changes in fund balance for each of the two fiscal years ended June 30, 1994 and 1993, as shown on pages 164 through 171. The information contained in these financial statements is the responsibility of the system's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Volunteer Firefighters' Compensation Act at June 30, 1994 and the results of its operations for the years ended June 30, 1994 and 1993 in conformity with generally accepted accounting principles.

The trend information following the notes to the financial statements on pages 172 through 173 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The other data included in this report have not been audited by us, and accordingly, we express no opinion on such data.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

December 2, 1994

STATE OF MONTANA
VOLUNTEER FIREFIGHTERS' COMPENSATION ACT

BALANCE SHEET

JUNE 30, 1994

ASSETS	
Cash In Treasury	$7,619
Interest Receivable	140,998
Accounts Receivable	767,778
Corporate Securities, at amortized cost (market value $3,495,056)	3,597,834
U.S. Government Securities, at amortized cost (market value $2,841,486)	3,009,160
Canadian Securities, at amortized cost (market value $475,733)	396,857
Short Term Investment Pool	388,700
Common Stock, at cost (market value $1,159,973)	958,877
Leveraged Buy-Outs, at cost (market value $125,132)	125,132
Deferred Gains/(Losses)	3,464
Total Assets	**$9,396,419**
LIABILITIES	
Accounts Payable	21,754
Net Assets Available For Benefits	**$9,374,665**
FUND BALANCE	
Pension Accumulation Reserve	9,374,665
Total Fund Balance	**$9,374,665**

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
VOLUNTEER FIREFIGHTERS' COMPENSATION ACT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE

FOR FISCAL YEARS ENDED JUNE 30, 1994 AND JUNE 30, 1993

	1994	*1993*
REVENUES		
Retirement Contributions		
State*	$765,549	$668,767
Investment Income	679,090	722,824
Total Revenues	**$1,444,639**	**$1,391,591**
EXPENSES		
Benefit Payments	$793,279	$789,688
Supplemental Insurance Payments	18,300	25,725
Administrative Expense	17,526	15,903
Investment Expense	1,122	1,138
Total Expenses	**$830,227**	**$832,454**
OTHER FINANCING SOURCES - (USES)		
Prior Year Adjustments	$624	$283
Excess Of Revenues Over Expenses	615,036	559,420
Fund Balance Beginning Of Year	8,759,629	8,200,209
Fund Balance End Of Year	**$9,374,665**	**$8,759,629**

***Includes Retirement Adjustment**

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA
VOLUNTEER FIREFIGHTERS' COMPENSATION ACT
NOTES TO THE FINANCIAL STATEMENTS

A. PLAN DESCRIPTION

1. PLAN MEMBERSHIP

The Volunteer Firefighters' Compensation Act (VFCA) is a statewide pension and disability plan established in 1965 in accordance with Title 19, chapter 17 of the Montana Code Annotated for all volunteer firefighters of companies organized in unincorporated areas, towns or villages under the laws of the State of Montana. The plan is funded entirely by the state.

VFCA MEMBERSHIP DATA

	June 30, 1994	June 30, 1993
BENEFIT RECIPIENTS:		
Retirements	639	608
Survivor Benefits	4	5
TOTAL	**643**	**613**

2. BENEFIT PROVISIONS

A. PENSION BENEFITS

Benefit provisions are established by state law and may be modified only by the State of Montana Legislature. A volunteer firefighter is eligible to a full participation pension benefit after completing 20 years of qualified service and attaining age 55. A member does not have to be an active member of a volunteer firefighting company when age 55 is attained.

The 1993 Legislature continued benefits at $120 per month (for full 20 year participation) through fiscal year 1995. Prior to the 1995 Legislature, the Public Employees' Retirement Board will review the fund and recommend future benefit levels and an actuarial funding mechanism to the next session.

A volunteer firefighter with at least ten years but less than 20 years of credited service, qualifies for partial participation benefits after attaining age 60. The pension payment is prorated in proportion to full participation benefits with 20 years of service.

B. DISABILITY PAYMENTS

A member injured while performing the duties of a volunteer firefighter is eligible to receive payment for necessary and reasonable medical expenses, not to exceed $25,000, resulting directly from the injury and incurred within 36 months from the date of injury. If this injury prevents the member from completing 20 years of service, the member is eligible for a disability benefit of at least $60 per month.

C. SURVIVOR BENEFITS

Upon the death of a volunteer firefighter, the surviving spouse (or dependent child(ren)) will receive the full or partial pension payment earned by the firefighter. Payments to eligible survivors will end when the surviving spouse dies or remarries, the surviving dependent child(ren) reaches age 18, or the total payments have reached $4,000 (or a portion thereof for partial pensions), whichever event occurs first.

A lump-sum payment equal to the actual, necessary and reasonable expenses, (or $1,500, whichever is less), will be paid directly to the provider of funeral services for any eligible volunteer firefighter whose death occurs in the line of duty.

E. GROUP INSURANCE PAYMENTS

To encourage volunteer companies to maintain group medical insurance for their members in order to provide additional benefits in case of death or injury incurred while in the line of duty, payments are made to the volunteer fire companies equal to $75 per year for each mobile firefighting unit owned by the volunteer fire company, up to a maximum of two units.

3. FUNDING REQUIREMENTS

A. STATE CONTRIBUTIONS

During fiscal years 1993 and 1994, the State contributed 5% of the premium taxes collected on certain fire risks. Payments are made annually to the Volunteer Firefighters' Compensation Act by the State Auditor from the fire insurance premium tax fund. Contributions for the fiscal years 1993 and 1994 totalled $668,767 and $765,549, respectively.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & PLAN ASSET MATTERS

1. METHOD OF ACCOUNTING

The VFCA retirement fund is included in the State of Montana's financial statement as a pension trust fund. The accounting records and financial statements prepared by the Public Employees' Retirement Division (PERD) use the fund accounting principals based on the accrual basis of accounting. The accrual method records expenses when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable.

2. VALUATION OF INVESTMENTS

Investments of the fund are invested in four major areas: Short Term Investment Pool (STIP), Montana Common Stock Pool (Mont-Comp), Securities, and Mortgages.

A. *STIP* is carried at cost and is currently valued at $100.00 per unit plus income accrued since the last distribution. Income is distributed on the last business day of the month and the Public Employees' Retirement Board elects to have all STIP income automatically reinvested.

B. *MONT-COMP* is carried at cost for financial reporting purposes. Mont-Comp's unit value is calculated once a month at the close of the last business day of the month and is based upon the market value of the equity holdings. The PERD can only buy or sell units on the first business day of the month. Investment income is distributed to the VFCA fund on the last business day of the month. This distribution is based on the full accrual method. Therefore, all dividends and interest accrued during the month are based on the number of outstanding units.

C. *SECURITIES* are recorded at book value (original costs adjusted for discount and premium amortization). Premiums and discounts are amortized using the straight-line method over the life of the securities. Bond swaps involve trading one bond for another bond having the same par value for the purpose of enhancing each fund's portfolio content and yield. Gains or losses from bond swaps are deferred and amortized over the shorter of either the remaining life of the bonds sold or the life of the replacement bonds purchased.

D. *MORTGAGES* have an average life of eight years which is used for the amortization of mortgage discounts.

E. *RELATED DISCLOSURES* The VFCA fund has investments in one organization that represent five percent or more of net assets available for benefits. The investment is in DuPont E I De Nemours & Company corporate obligations, the book value equals $488,397.00 which is 5.21% of net assets available for benefits.

The following is the listing of investments at fiscal year end 1994:

VFCA INVESTMENTS

Type	Cost	Market
Corporate Securities	$3,597,834	$3,495,056
US Government Securities	3,009,160	2,841,486
Canadian Securities	396,857	475,733
Short Term Investment Pool	388,700	388,700
Mont-Comp (Common Stock)	958,877	1,159,973
Leveraged Buy-Outs	125,132	125,132
Deferred Gains/(Losses)	3,464	3,464
TOTAL INVESTMENTS	**$8,480,024**	**$8,489,544**

C. FUNDING STATUS & PROGRESS

An actuarial valuation of the VFCA fund was completed as of June 30, 1993. The purpose of this, the first valuation ever performed, was to determine the financial position of the volunteer firefighters' pension fund, the normal cost, and the unfunded accrued liability based upon present and prospective assets and liabilities of the system as of June 30, 1993.

The total liabilities of the fund were determined as part of the required actuarial valuation at June 30, 1993. Significant actuarial assumptions used include:

1. a rate of return on investment of present and future assets of 8% compounded annually, ***and***
2. contributions generated by the fire insurance premium tax fund will grow 3% annually.

At June 30, 1993 the total unfunded liability for the VFCA fund was $ 6,451,034 as follows:

ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS

INACTIVE MEMBERS:		
Current retirants & beneficiaries	$ 6,138,980	
Death	0	
Disability	0	
Terminated vested participants	2,980,921	
Total Inactive Members		$ 9,119,901
ACTIVE MEMBERS:		
Retirement	$ 6,119,503	
Death	115,779	
Disability	791,697	
Vested	1,408,563	
Total Active Members		$ 8,435,542
TOTAL PENSION BENEFIT OBLIGATION:		$17,555,443
LESS TOTAL PRESENT VALUE OF NORMAL COSTS:		$ 2,344,780
LESS TOTAL FUND ASSETS:		$ 8,759,629
TOTAL UNFUNDED LIABILITY:		$ 6,451,034

D. CONTRIBUTIONS REQUIRED & CONTRIBUTIONS MADE

The VFCA funding policy provides for annual contributions from the State Auditor's office of 5% of the fire insurance premium taxes collected during the year. This rate is established by state law; contribution requirements are not actuarially determined. An actuary determined the actuarial implications of the funding requirement in a biennial actuarial valuation at July 1, 1993. The actuarial method used to determine the implications of the statutory funding level is the entry age normal funding method. This method establishes a normal cost as well as an unfunded accrued liability. The normal cost is the level annual cost required to fund the benefits, assuming this amount has been contributed since each member's entry into the VFCA. The unfunded accrued liability represents the excess of the present value of total liabilities over the present value of the $401,441 normal cost and (b) $2,344,780 present value of future normal costs for current members.

E. TEN-YEAR HISTORICAL TREND INFORMATION

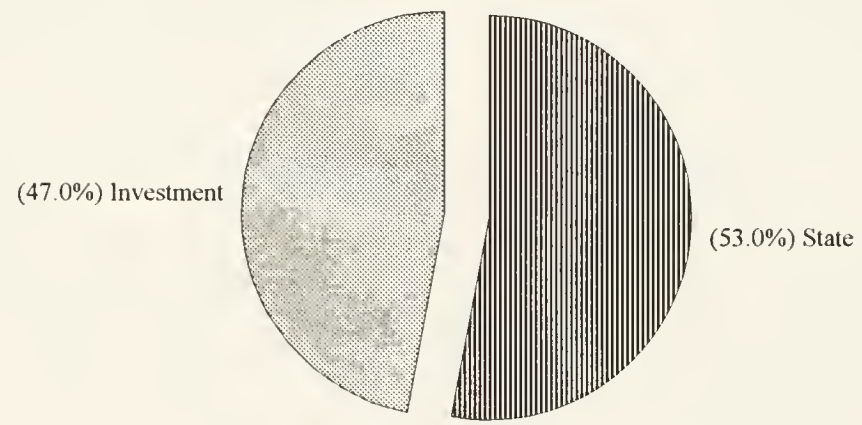
Ten-year historical trend information (to the extent available) designed to provide information about the VFCA fund progress made in accumulating sufficient assets to pay benefits when due is presented on pages 172 through 173.

STATE OF MONTANA
VOLUNTEER FIREFIGHTERS' COMPENSATION ACT

REQUIRED SUPPLEMENTARY INFORMATION
COMPARATIVE SUMMARY OF REVENUES BY SOURCE

Fiscal Year	*State Contribution**	*Investment Income*	*Total*
06/30/85	338,742	428,166	766,908
06/30/86	500,000	471,176	971,176
06/30/87	534,766	483,790	1,018,556
06/30/88	532,187	516,814	1,049,001
06/30/89	565,099	589,366	1,154,465
06/30/90	583,064	600,445	1,183,509
06/30/91	601,102	660,125	1,261,227
06/30/92	630,961	652,596	1,283,557
06/30/93	668,767	722,824	1,391,591
06/30/94	**765,549**	**679,090**	**1,444,639**

REVENUES FOR FISCAL YEAR 94



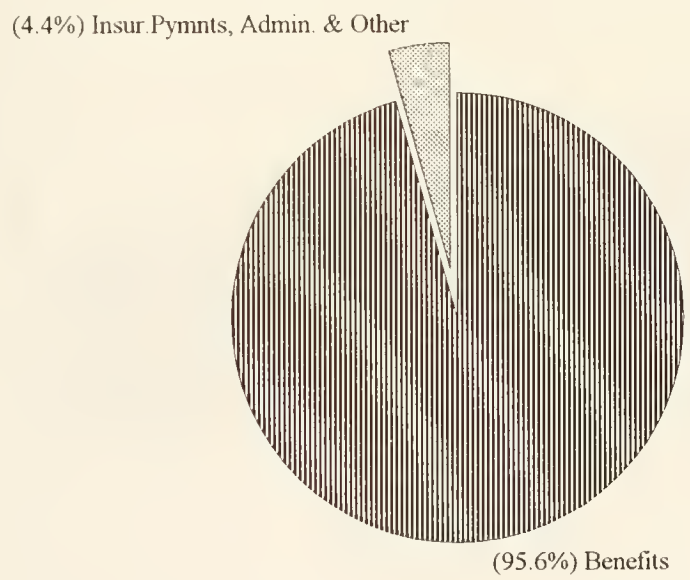
***Includes Retirement Adjustment**

STATE OF MONTANA
VOLUNTEER FIREFIGHTERS' COMPENSATION ACT

REQUIRED SUPPLEMENTARY INFORMATION
COMPARATIVE SUMMARY OF EXPENSES BY TYPE

Fiscal Year	*Benefits*	*Insurance Payments*	*Admin Expenses**	*Other***	*Total*
06/30/85	267,869	19,950	6,408	(691)	293,536
06/30/86	525,851	20,700	7,477	(86,258)	467,770
06/30/87	517,693	21,825	14,654	16,101	570,273
06/30/88	328,235	23,640	8,384	(58,703)	301,556
06/30/89	688,357	25,542	9,781	44,569	768,249
06/30/90	365,670	20,325	9,897	1,536	397,428
06/30/91	736,785	22,136	11,267	3,117	773,305
06/30/92	699,557	24,606	17,056	(1,632)	739,587
06/30/93	789,688	25,725	17,041	(283)	832,171
06/30/94	**793,279**	**18,300**	**18,648**	**(624)**	**829,603**

EXPENSES FOR FISCAL YEAR 94



*Includes Investment Expense

**Includes Prior Year Adjustments

STATE OF MONTANA
VOLUNTEER FIREFIGHTERS' COMPENSATION ACT

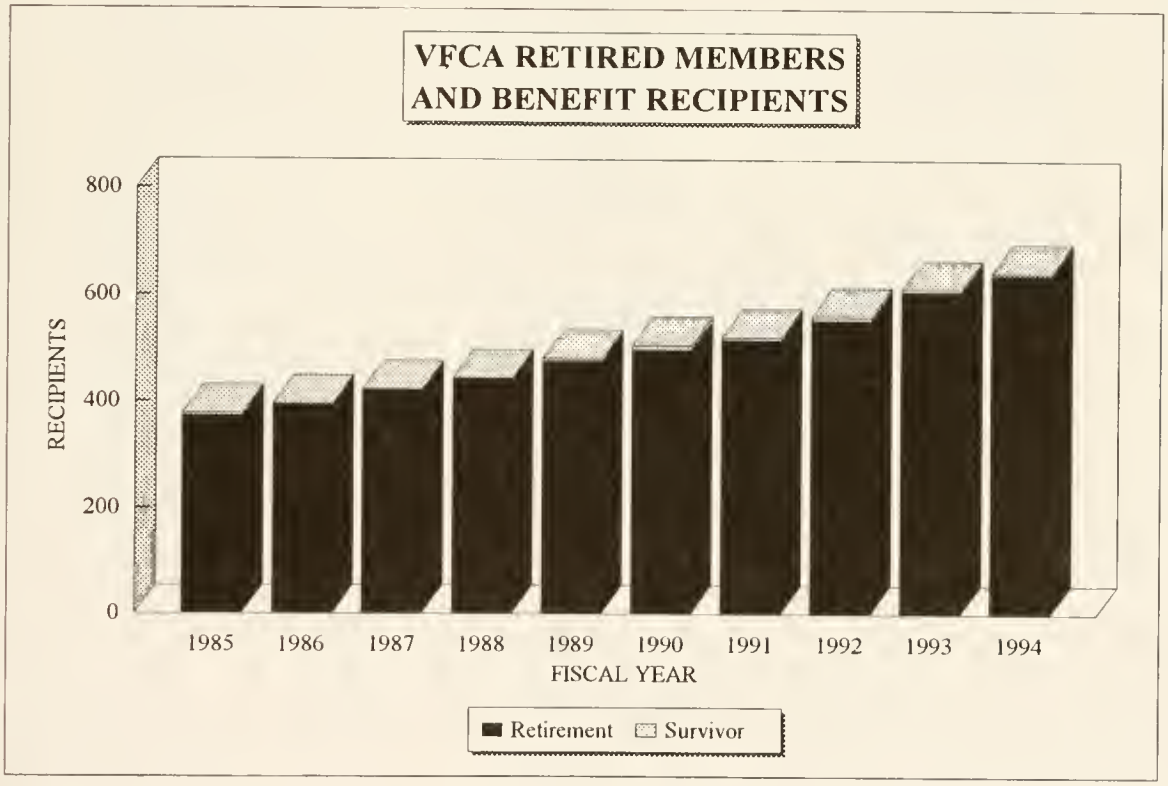
ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS

FISCAL YEAR	REVENUES	EXPENSES	ANNUAL ADDITIONS	NET ASSETS AVAILABLE
06/30/85	766,908	293,536	473,372	4,296,887
06/30/86	971,176	467,770	503,406	4,800,293
06/30/87	1,018,556	570,273	448,283	5,248,576
06/30/88	1,049,001	301,556	747,445	5,996,021
06/30/89	1,154,465	768,249	386,216	6,382,237
06/30/90	1,183,509	397,428	786,081	7,168,318
06/30/91	1,261,227	773,306	487,921	7,656,239
06/30/92	1,283,557	739,587	543,970	8,200,209
06/30/93	1,391,591	832,171	559,420	8,759,629
06/30/94	**1,444,639**	**829,603**	**615,036**	**9,374,665**

STATE OF MONTANA
VOLUNTEER FIREFIGHTERS' COMPENSATION ACT

RETIRED MEMBERS AND BENEFIT RECIPIENTS

Fiscal Year	*Retirement*	*Survivor*	*Total*
06/30/85	373	4	377
06/30/86	393	2	395
06/30/87	422	0	422
06/30/88	443	1	444
06/30/89	476	5	481
06/30/90	497	9	506
06/30/91	517	4	521
06/30/92	554	7	561
06/30/93	608	5	613
06/30/94	**639**	**4**	**643**





Actuarial Section

Hendrickson, Miller & Associates, Inc.
ACTUARIAL CONSULTANTS

Securities Building • 101 N. Last Chance Gulch
P.O. Box 1690 • Helena, Montana 59624
Telephone 406/442-5222
FAX 406/442-5089

November 1, 1994

Linda King
Administrator
Public Employees' Retirement Division
1712 Ninth Avenue
Helena, MT 59620

Re: Actuarial Valuation Reports

Dear Linda:

Our firm has completed the July 1, 1994 actuarial valuations of the 7 retirement systems administered by the Public Employees' Retirement Division:

1. Public Employees' Retirement System
2. Firefighters' Retirement System
3. Municipal Police Officers' Retirement System
4. Sheriffs' Retirement System
5. Highway Patrol Retirement System
6. Game Wardens' Retirement System
7. Judges' Retirement System

The results of these valuations are summarized in the enclosed reports.

Based upon the data provided by the Public Employees' Retirement Division and the actuarial assumptions stated in the reports, we have concluded that each of these systems, excluding the Judges' Retirement System, is actuarially sound. The annual contribution to the Judges' Retirement System is not sufficient to fund the system's normal cost and unfunded liability. As such, we were unable to conclude that this system is actuarially sound.

The actuarial valuations were conducted in accordance with generally accepted actuarial principles and techniques.

Sincerely,

Alton P. Hendrickson, M.A.A.A.

STATE OF MONTANA
ALL SYSTEMS
ACTUARY ASSUMPTIONS

Actuarial Consultants, Hendrickson, Miller & Associates, Inc. examined the experience of each of the retirement systems administered by the Public Employees' Retirement Board (excluding the Volunteer Firefighters' Compensation Act) to determine if the actuarial assumptions required revision prior to the actuarial valuation for the Fiscal Year 1994. The last experience study was conducted as of June 30, 1987. The study was conducted as of June 30, 1993 and examined the following seven areas of experience: (1) mortality rates for active members and for those receiving monthly benefits, (2) disability rates for active members, (3) retirement rates with consideration of service as well as age, (4) withdrawal rates for reasons other than death, disability or retirement, (5) investment earnings, (6) salary increases, and (7) service buy-backs and purchases.

The results of the study are the following actuarial assumptions recommended by Hendrickson, Miller & Associates, Inc., and adopted by the Public Employees' Retirement Board:

ACTUARIAL ASSUMPTIONS

1. MORTALITY RATES

The mortality rates for males and females are based upon the 1983 Group Annuity Mortality Table, set back 1 year for active members and 2 years for those receiving benefits. The July 1, 1992 actuarial valuation used the 1983 GAM table with no setbacks.

2. DISABILITY RATES

The disability rates for males and females are based on the 1983 Disability Table.

3. WITHDRAWAL RATES

The withdrawal rates are based upon the actual experience of the system as determined in the 1994 withdrawal experience study. For the Judges' Retirement System, it was assumed there would be no member withdrawals.

4. SALARY SCALE

The rates of salary increases are based upon an assumed compounded growth rate of 6.0% per annum, except for the Public Employees' Retirement System which assumed a compounded growth rate of 6.25% per annum. The July 1, 1992 actuarial valuation used a 6.5% salary scale for all systems.

STATE OF MONTANA
ALL SYSTEMS
ACTUARY ASSUMPTIONS
(continued)

5. INVESTMENT EARNINGS

It was assumed that the investment earnings would be 8% compounded annually.

6. MARKET VALUE ASSET VALUATION

The assets are based on market value, adjusted with gains and losses graduated over a 4-year period.

7. ADMINISTRATIVE EXPENSES

It was assumed that the system would incur no administrative expenses beyond those covered by investment earnings in excess of 8%.

8. TERMINATION BENEFITS

It was assumed that all members terminating with less than the required years of service for vesting would receive an immediate withdrawal of their member contributions with interest. It was further assumed that vested members would select the most advantageous benefits under the given assumptions.

8. SERVICE PURCHASES

It was assumed that 1/3 of the members that are within 15 years of service until reaching the assumed retirement age will purchase or buy back 3 years of service. The cost of this service was assumed to equal 20% of the total liability for all systems except the Judges' Retirement System. Also, all PERS members will purchase the maximum "1 for 5" service when electing early retirement with 25 years of service.

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
PENSION DISCLOSURE INFORMATION

ACTUARIAL ASSUMPTIONS

An experience study was completed in 1994 to investigate the actuarial experience of the Public Employees' Retirement System of the State of Montana. A review of the system's data and experience revealed a need for changes in the mortality, withdrawal, disability, salary increase and service purchased assumptions. The remaining actuarial assumptions did not warrant a change from those used in the valuation of July 1, 1992. The assumption changes are described further in the Discussion of Actuarial Assumptions.

The overall effect of the revised assumptions was an increase in the funding period of 0.16 years from 15.96 to 16.12. Had the additional cost not been absorbed in the funding period, the annual required contribution would have increased by 0.02% of compensation.

ACTUARIAL DATA SUMMARY

The active membership was 27,044 on June 30, 1994 compared to 27,473 on June 30, 1992. The annual payroll increased from $548.2 to $573.0 million during the biennium. The average pay per member grew at the rate of 6.2% per year.

The average active member is 43.5 years of age, was employed at age 35.8, has completed 7.7 years of service, and earns $21,186.

The number of members receiving benefits was 11,961 on June 30, 1994 compared to 10,734 on June 30, 1992. The annual benefit payout increased from $58.2 to $76.6 million during the biennium.

The average retiree is 70.8 years of age, retired at age 61.0 with 19.0 years of service, and receives a benefit of $533 per month. The average pay per retired member grew at the rate of 9.02% per year.

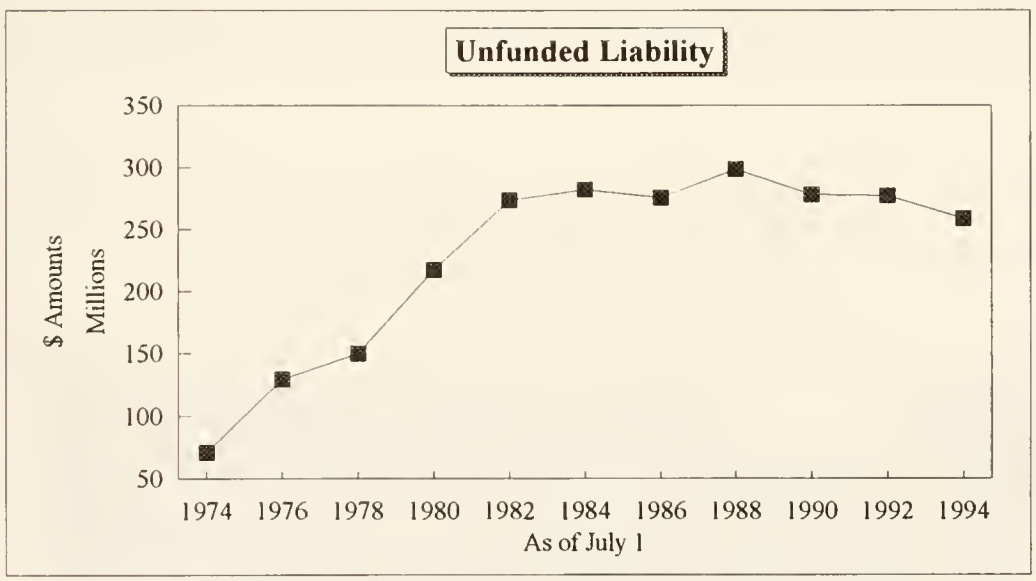
ACTUARIAL CONCLUSION

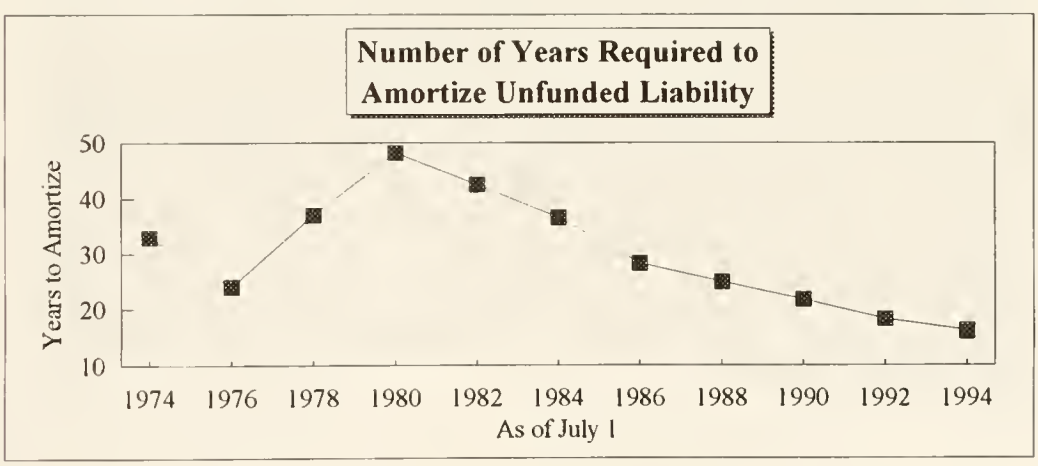
Because of increased payroll and benefit payouts, the system's total liability grew by 11.8%. This was offset by a 20.6% growth in assets. The current funding level allows the system's unfunded liability to be funded over 16.12 years compared to 18.25 years in 1992.

Based on the results of this valuation, the Public Employees' Retirement System is actuarially sound.

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

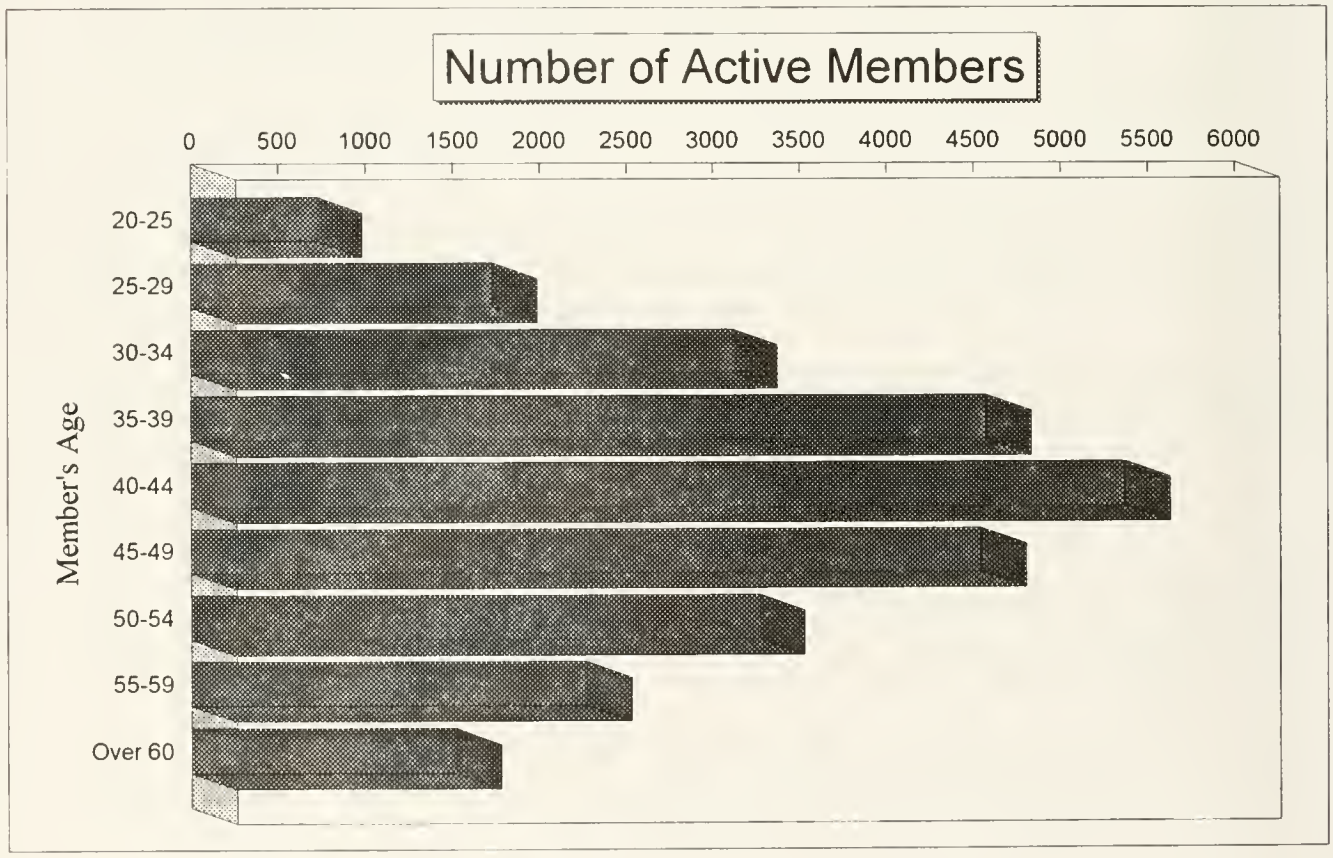
As of July 1	Unfunded Liability	Number of Years Required to Amortize the Unfunded Liability
1974	70,900,000	33.00
1976	129,300,000	24.00
1978	150,100,000	37.00
1980	217,097,181	48.20
1982	273,524,351	42.47
1984	281,932,440	36.58
1986	275,203,197	28.24
1988	298,511,691	24.96
1990	277,914,904	21.76
1992	277,096,522	18.25
1994	258,856,150	16.12





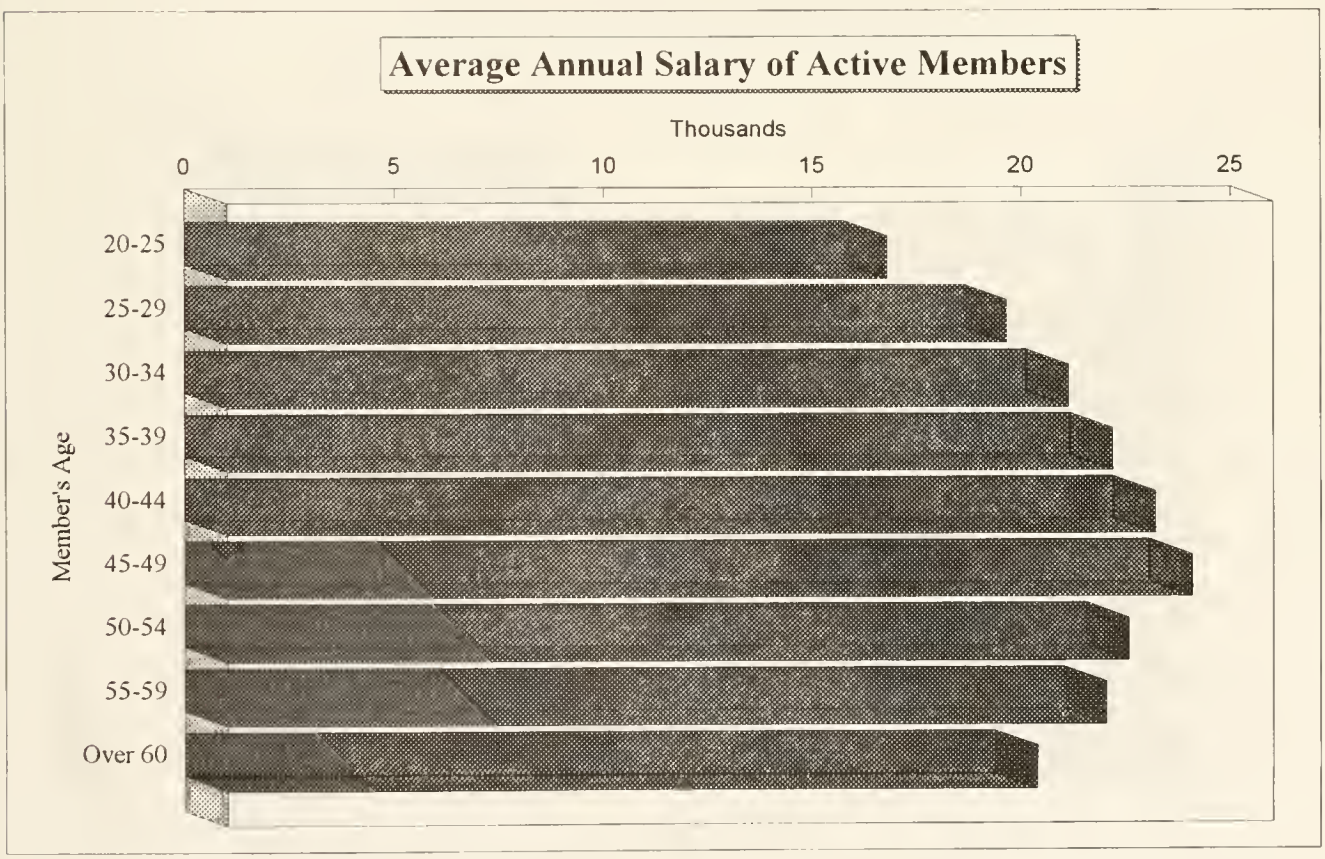
STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
NUMBER OF ACTIVE MEMBERS

Years of Service	Member's Age 20-25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	Over 60	Totals
0-4	717	1,483	2,043	2,434	2,319	1,652	1,106	648	421	**12,823**
5-9	6	235	756	1,071	1,259	1,013	732	444	366	**5,882**
10-14		9	286	678	819	745	572	468	291	**3,868**
15-19			24	364	713	589	427	347	207	**2,671**
20-24				21	252	456	275	207	114	**1,325**
25-29					7	82	114	89	56	**348**
30-34						3	35	31	20	**89**
35-39							2	15	13	**30**
40-UP								1	7	**8**
Totals	**723**	**1,727**	**3,109**	**4,568**	**5,369**	**4,540**	**3,263**	**2,250**	**1,495**	**27,044**



STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AVERAGE ANNUAL SALARY OF ACTIVE MEMBERS

Years of Service	Member's Age 20-25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	Over 60	Average
0-4	15,715	18,265	18,700	18,528	18,454	18,780	17,942	17,889	16,375	**18,233**
5-9	22,260	20,702	22,617	22,589	21,820	21,433	19,675	19,603	17,598	**21,255**
10-14		23,008	23,173	25,173	25,318	23,873	21,639	20,762	19,828	**23,342**
15-19			23,670	26,749	28,477	28,593	24,782	22,837	20,898	**26,313**
20-24				26,830	30,055	31,779	29,520	25,642	25,011	**29,363**
25-29					32,115	33,007	32,359	28,516	26,269	**30,549**
30-34						34,879	32,960	32,226	26,062	**31,219**
35-39							40,764	29,554	32,953	**31,775**
40-UP								46,473	33,743	**35,334**
Average	**$15,769**	**$18,621**	**$20,102**	**$21,160**	**$22,184**	**$23,054**	**$21,532**	**$21,010**	**$19,357**	**$21,186**



STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
*NUMBER OF MONTHLY BENEFIT RECIPIENTS**

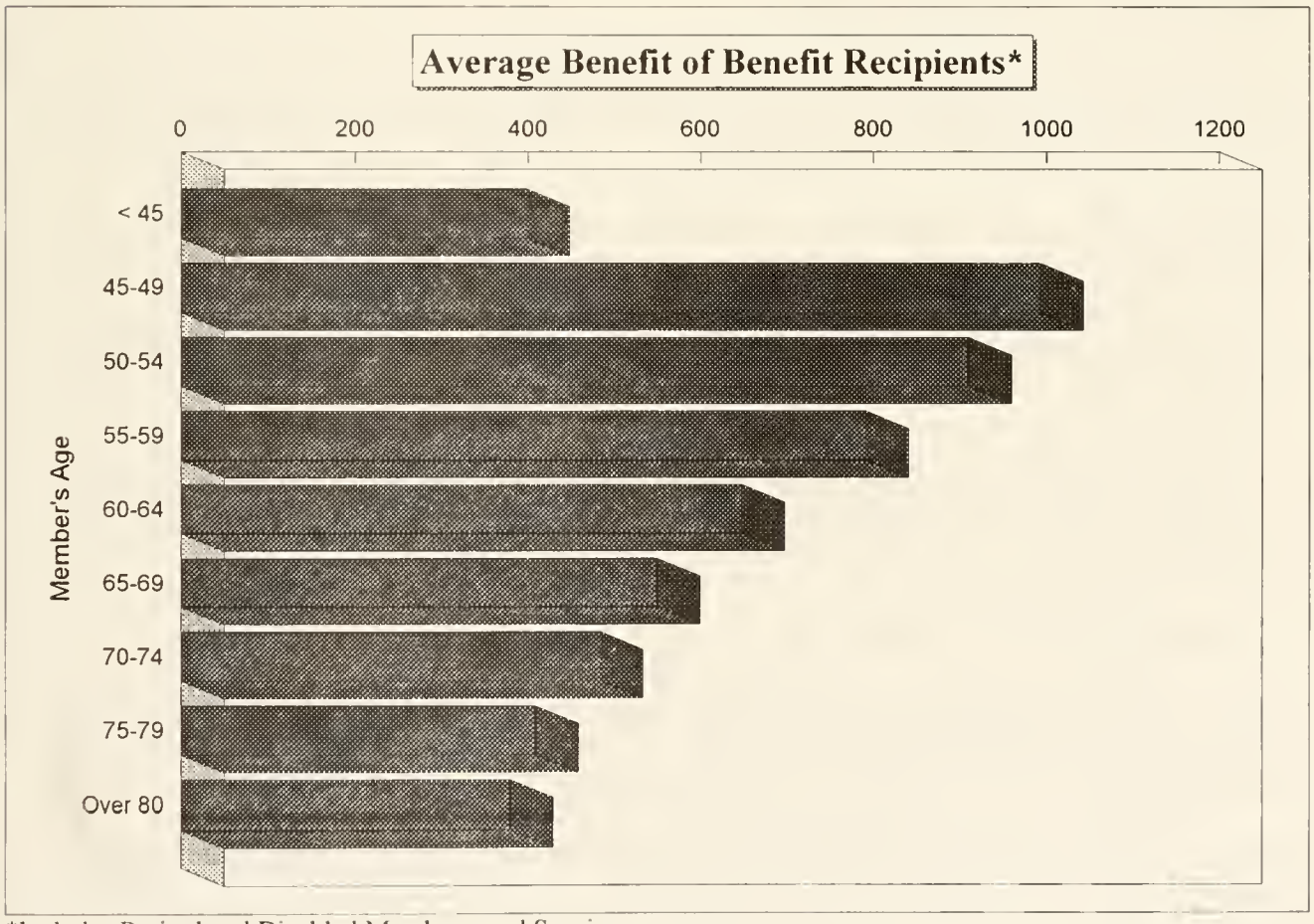
Years of Service	Recipient's Age									
	< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	Totals
0-4	1	3	4	6	2	17	23	37	38	**131**
5-9	44	19	69	157	274	416	490	397	265	**2,131**
10-14	16	13	51	137	324	531	547	498	570	**2,687**
15-19	13	9	45	103	324	499	461	371	399	**2,224**
20-24	8	3	39	79	233	381	335	284	293	**1,655**
25-29	3	4	62	88	206	251	196	159	163	**1,132**
30-34	1	51	163	236	264	231	212	127	135	**1,420**
35-39	3		26	56	74	67	72	59	92	**449**
40-UP	2		1	22	14	19	23	20	31	**132**
Totals	**91**	**102**	**460**	**884**	**1,715**	**2,412**	**2,359**	**1,952**	**1,986**	**11,961**



* Includes Retired and Disabled Members, and Survivors.

STATE OF MONTANA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
*AVERAGE MONTHLY BENEFIT OF BENEFIT RECIPIENTS**

Years of Service	Recipient's Age									
	< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	Average
0-4	468	355	343	359	342	201	190	156	160	**194**
5-9	354	352	226	208	203	186	183	162	171	**189**
10-14	371	418	283	261	287	303	293	276	253	**282**
15-19	435	512	355	363	454	474	429	388	354	**418**
20-24	417	652	570	607	666	655	607	516	452	**582**
25-29	426	980	1,006	931	939	865	776	658	560	**802**
30-34	922	1,521	1,468	1,342	1,234	1,078	960	830	666	**1,132**
35-39	521			1,808	1,511	1,494	1,278	1,034	805	**1,308**
40-UP	737			2,027	1,998	1,641	1,540	1,417	929	**1,512**
Average	**$398**	**$993**	**$910**	**$792**	**$647**	**$549**	**$483**	**$408**	**$379**	**$533**



*Includes Retired and Disabled Members, and Survivors.

STATE OF MONTANA
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM
PENSION DISCLOSURE INFORMATION

ACTUARIAL ASSUMPTIONS

An experience study was completed in 1994 to investigate the actuarial experience of the Highway Patrol Officers' Retirement System of the State of Montana. A review of the system's data and experience revealed a need for changes in the mortality, withdrawal, disability, salary increase and service purchased assumptions. The remaining actuarial assumptions did not warrant a change from those used in the valuation of July 1, 1992. The assumption changes are described further in the Discussion of Actuarial Assumptions.

The overall effect of the revised assumptions was an increase in the unfunded liability of $1,070,700; which in turn, increased the funding period 0.37 years from 16.28 to 16.65. Had the additional cost not been absorbed in the funding period, the annual required contribution would have been increased by 0.29% of compensation.

ACTUARIAL DATA SUMMARY

The active membership was 480 on June 30, 1994 compared to 453 on June 30, 1992. The annual payroll increased from $11.4 to $13.4 million during the biennium. The average pay per member grew at the rate of 10.9% per year.

The average active member is 36.8 years of age, was employed at age 27.4, has completed 9.3 years of service, and earns $27,906.

The number of members receiving benefits was 482 on June 30, 1994 compared to 436 on June 30, 1992. The annual benefit payout increased from $5.29 to $6.32 million during the biennium.

The average retiree is 63.7 years of age, retired at age 48.5 with 21.5 years of service, and receives a benefit of $1,060 per month. The average pay per retired member grew at the rate of 4.32% per year.

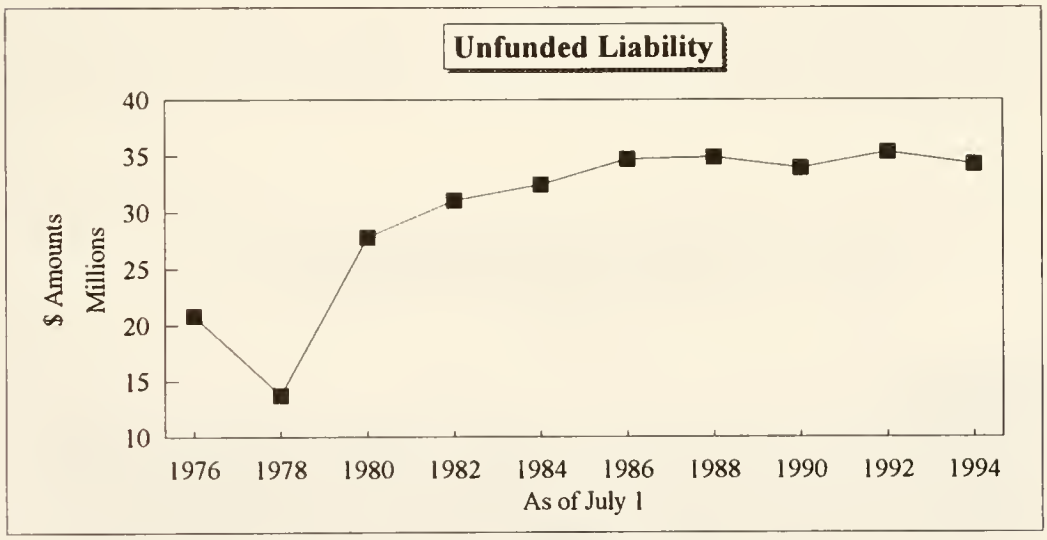
ACTUARIAL CONCLUSION

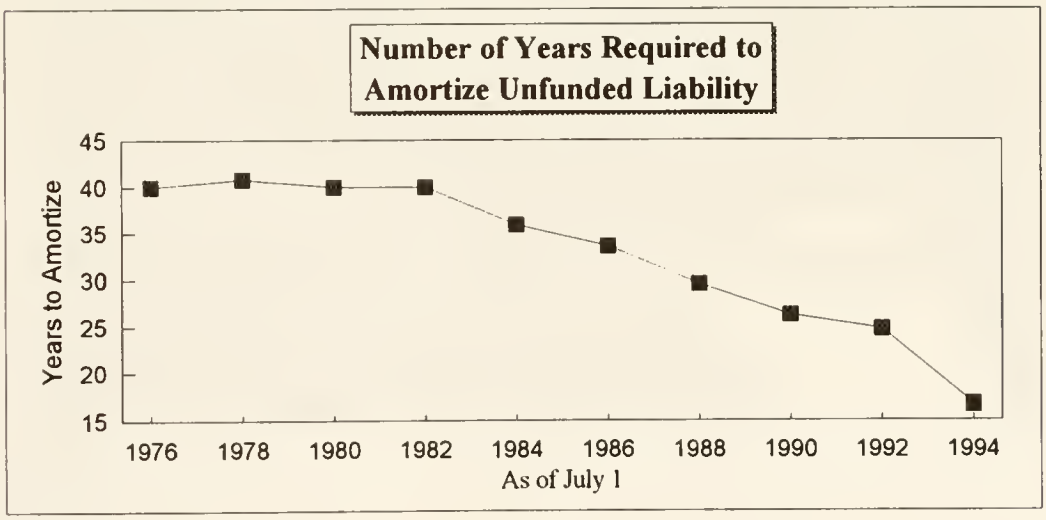
Because of increased payroll and benefit payouts, the system's total liability grew by 17.4%. This was offset by a 22.8% growth in assets. The current funding level allows the system's unfunded liability to be funded over 19.54 years compared to 24.71 years in 1992.

Based on the results of this valuation, the Municipal Police Officers' Retirement System is actuarially sound.

STATE OF MONTANA
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

As of July 1	Unfunded Liability	Number of Years Required to Amortize the Unfunded Liability
1976	20,861,761	40.00 *
1978	13,741,041	40.83
1980	27,812,318	40.00 *
1982	31,062,325	40.00 *
1984	32,492,453	35.92
1986	34,759,407	33.60
1988	34,926,327	29.51
1990	33,963,221	26.19
1992	35,350,743	24.71
1994	34,298,315	16.65

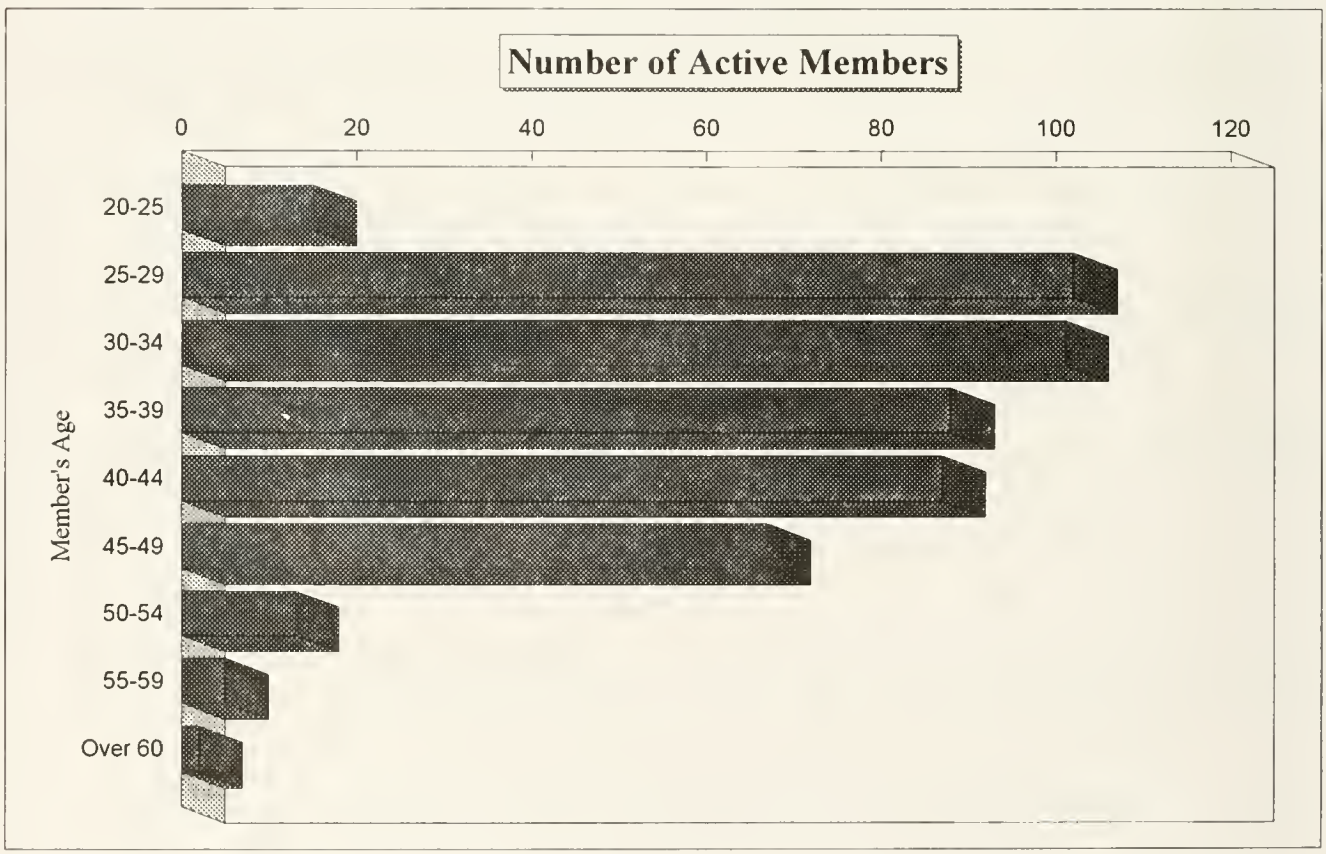




* Estimated

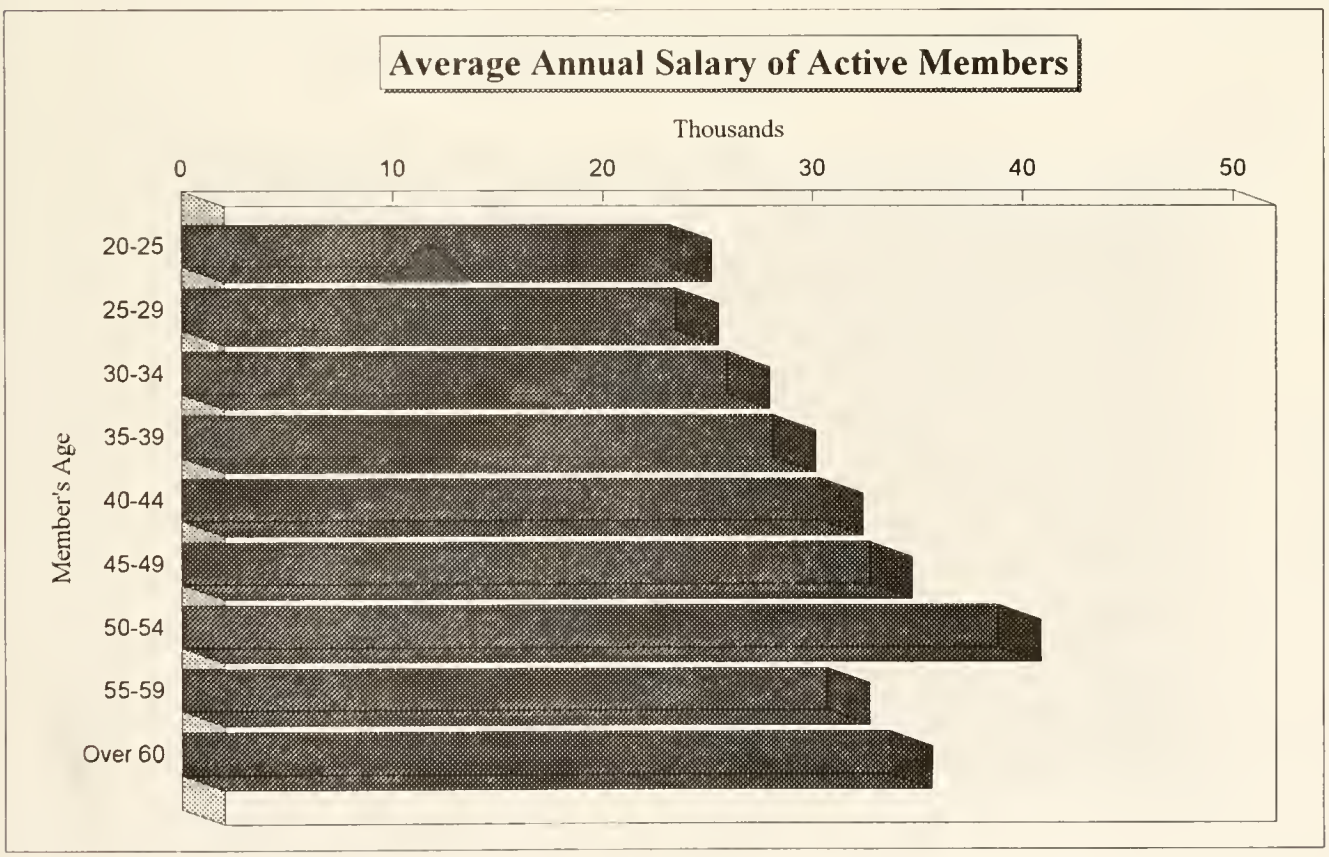
STATE OF MONTANA
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM
NUMBER OF ACTIVE MEMBERS

Years of Service	Member's Age 20-25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	Over 60	Totals
0-4	15	85	51	16	9	4	2			**182**
5-9		16	39	30	10	6				**101**
10-14		1	11	29	17	9	1	1	1	**70**
15-19				13	44	25	3	3		**88**
20-24					7	22	6			**35**
25-29						1	1	1	1	**4**
30-34										
35-39										
40-UP										
Totals	**15**	**102**	**101**	**88**	**87**	**67**	**13**	**5**	**2**	**480**



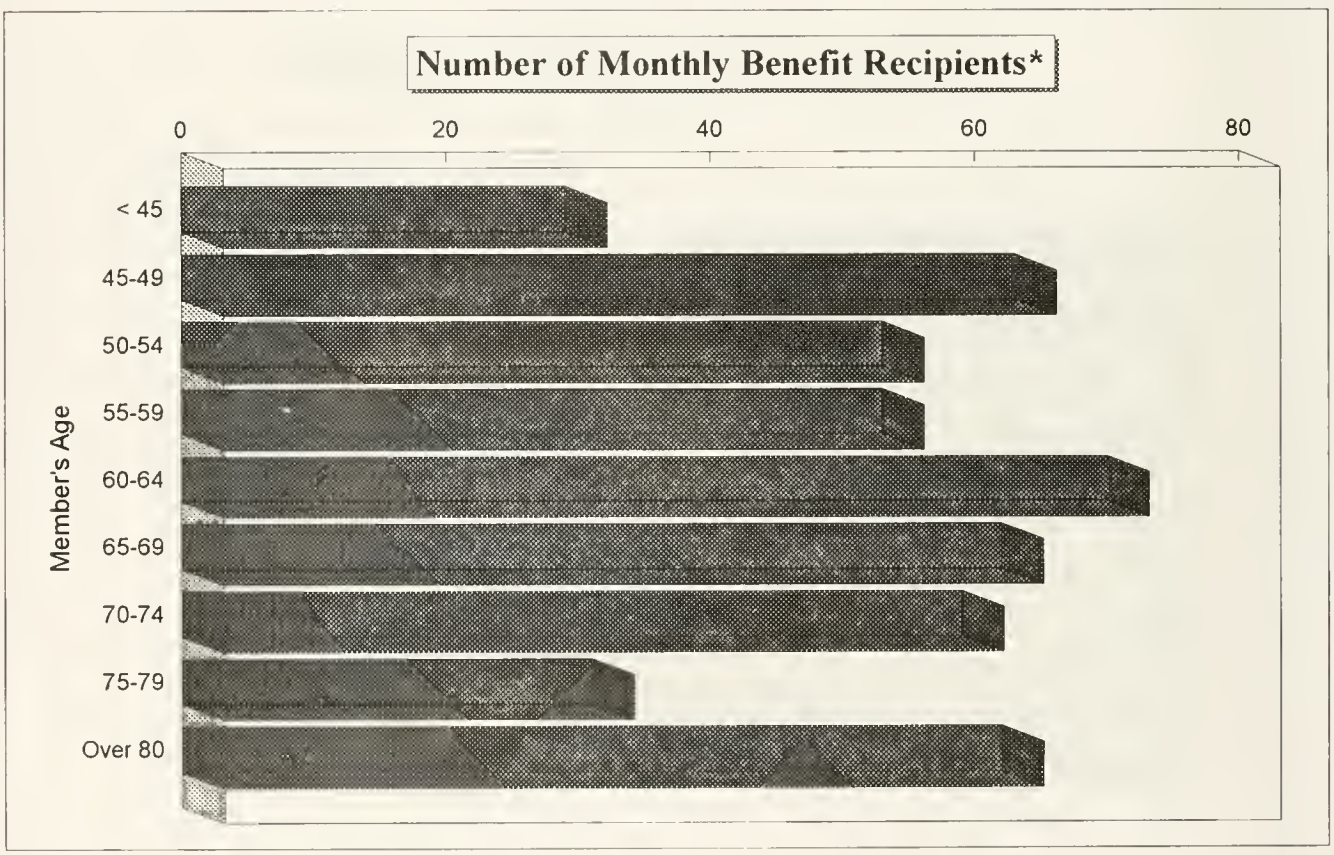
STATE OF MONTANA
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM
AVERAGE ANNUAL SALARY OF ACTIVE MEMBERS

Years of Service	Member's Age 20-25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	Over 60	Average
0-4	23,172	22,944	23,826	24,164	24,807	21,580	38,508			**23,550**
5-9		25,813	27,712	27,333	26,689	27,501				**27,186**
10-14		31,925	29,452	29,512	28,751	31,375	52,879	24,276	28,874	**29,842**
15-19				31,760	32,467	32,206	35,692	30,266		**32,324**
20-24					33,344	37,184	38,624			**36,663**
25-29						33,948	35,874	38,264	38,438	**36,631**
30-34										
35-39										
40-UP										
Average	**$23,172**	**$23,482**	**$25,940**	**$28,129**	**$30,355**	**$32,699**	**$38,814**	**$30,668**	**$33,657**	**$27,906**



STATE OF MONTANA
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM
*NUMBER OF MONTHLY BENEFIT RECIPIENTS**

Years of Service	Recipient's Age									
	< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	Totals
0-4	7	1	1	2		1				**12**
5-9	3	6	7	3	3	2	2	3	2	**31**
10-14	9	7	6	4	5	3	2	1	6	**43**
15-19		4	4	5	2	6	6	7	6	**40**
20-24	10	45	32	33	52	46	41	16	35	**310**
25-29			3	5	6	3	5	2	8	**32**
30-34				1	2	1	2	2	5	**13**
35-39							1			**1**
40-UP										
Totals	**29**	**63**	**53**	**53**	**70**	**62**	**59**	**31**	**62**	**482**



* Includes Retired and Disabled Members, and Survivors.

STATE OF MONTANA
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM
*AVERAGE MONTHLY BENEFIT OF BENEFIT RECIPIENTS**

Years of Service	Recipient's Age									
	< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	Average
0-4	999	1,051	990	896		1,075				**986**
5-9	931	982	1,056	984	1,011	1,021	1,011	1,053	1,038	**995**
10-14	1,036	879	953	1,005	1,026	1,000	1,058	1,075	988	**959**
15-19		1,254	1,128	1,046	1,042	1,024	969	1,005	916	**1,001**
20-24	1,426	1,368	1,192	1,108	1,055	991	979	1,003	972	**1,061**
25-29			1,648	1,889	1,363	1,046	1,050	1,075	991	**1,271**
30-34				1,736	1,436	1,513	1,226	922	1,030	**1,176**
35-39						1,783				**1,783**
40-UP										
Average	**$1,151**	**$1,264**	**$1,164**	**$1,165**	**$1,088**	**$1,020**	**$1,010**	**$1,010**	**$977**	**$1,060**



*Includes Retired and Disabled Members, and Survivors.

STATE OF MONTANA
GAME WARDENS' RETIREMENT SYSTEM
PENSION DISCLOSURE INFORMATION

ACTUARIAL ASSUMPTIONS

An experience study was completed in 1994 to investigate the actuarial experience of the Game Wardens' Retirement System of the State of Montana. A review of the system's data and experience revealed a need for changes in the mortality, withdrawal, disability, salary increase and service purchased assumptions. The remaining actuarial assumptions did not warrant a change from those used in the valuation of July 1, 1992. The assumption changes are described further in the Discussion of Actuarial Assumptions.

The overall effect of the revised assumptions was a decrease of 0.75 in the normal cost contribution rate. The current contribution rate of 24.05% will fund the unfunded liability in 0.43 years. Had the assumptions not been changed, this liability would have been eliminated on July 1, 1994. contribution would have been eliminated on July 1, 1994.

ACTUARIAL DATA SUMMARY

The active membership was 85 on June 30, 1994 compared to 87 on June 30, 1992. The annual payroll increased from $2.47 to $2.49 million during the biennium. The average pay per member grew at the rate of 3.5% per year.

The average active member is 39.1 years of age, was employed at age 26.3, has completed 12.8 years of service, and earns $29,345.

The number of members receiving benefits was 69 on June 30, 1994 compared to 61 on June 30, 1992. The annual benefit payout increased from $795,475 to $980,717 during the biennium.

The average retiree is 67.6 years of age, retired at age 57.1 with 28.1 years of service, and receives a benefit of $1,263 per month. The average pay per retired member grew at the rate of 4.75% per year.

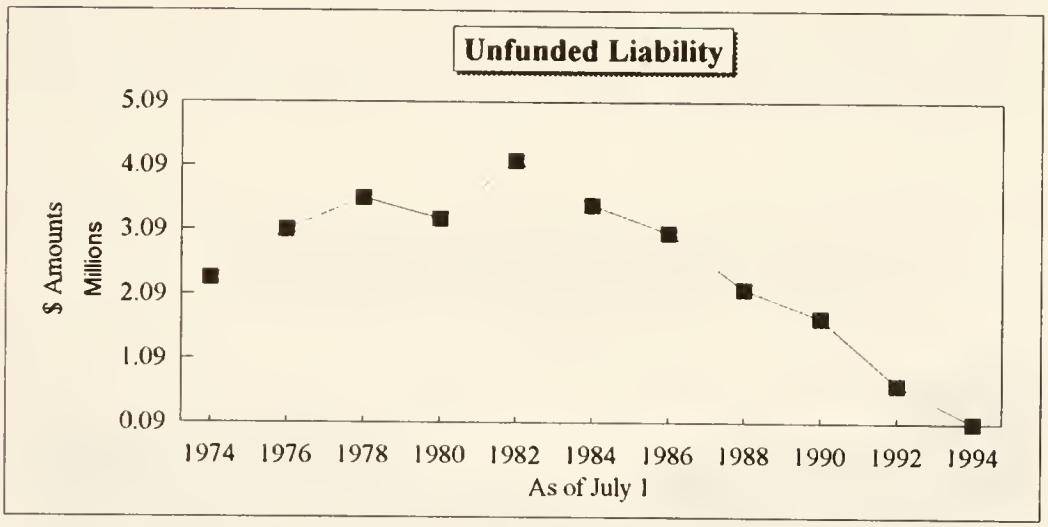
ACTUARIAL CONCLUSION

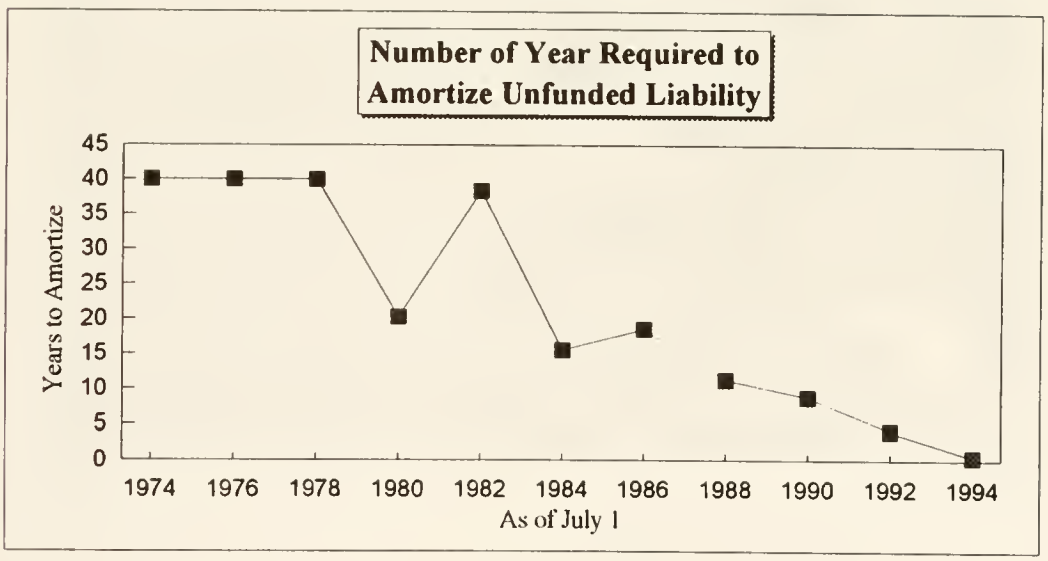
Because of increased payroll and benefit payouts, the system's total liability grew by 9.4%. This was offset by a 17.0% growth in assets. The current funding level allows the system's unfunded liability to be funded over 0.43 years compared to 4.06 years in 1992.

Based on the results of this valuation, the Game Wardens' Retirement System is actuarially sound.

STATE OF MONTANA
GAME WARDENS' RETIREMENT SYSTEM

As of July 1	Unfunded Liability	Number of Years Required to Amortize the Unfunded Liability
1974	2,344,000	40.00 *
1976	3,093,000	40.00 *
1978	3,587,419	40.00 *
1980	3,261,025	20.28
1982	4,169,898	38.41
1984	3,475,610	15.57
1986	3,046,933	18.60
1988	2,159,051	11.27
1990	1,724,446	8.78
1992	682,606	4.06
1994	92,272	0.43

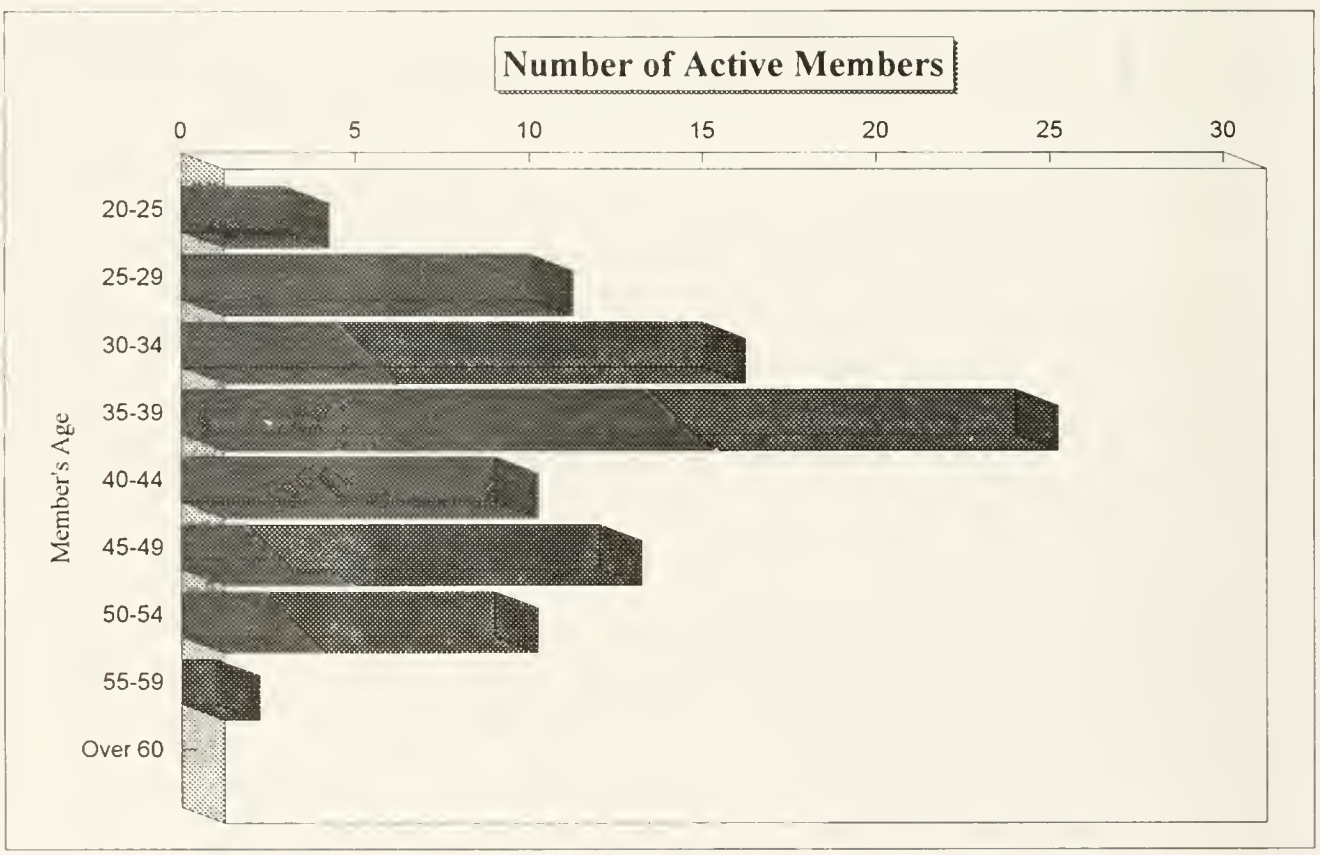




* Estimated

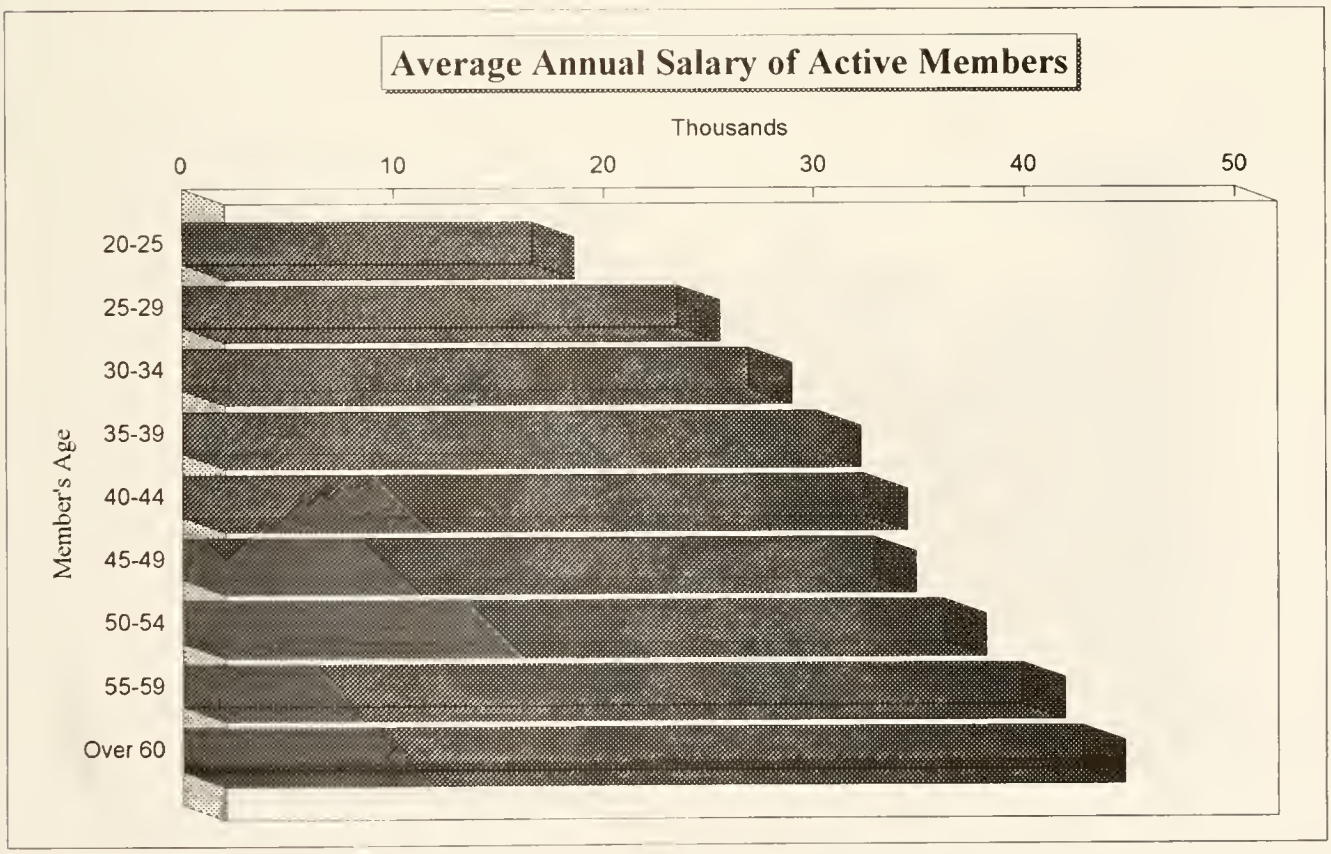
STATE OF MONTANA
GAME WARDENS' RETIREMENT SYSTEM
NUMBER OF ACTIVE MEMBERS

Years of Service	Member's Age 20-25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	Over 60	Totals
0-4	3	6	7	2	1					19
5-9		4	5	9	1					19
10-14			3	6	1	1				11
15-19				6	6					12
20-24				1		8	5			14
25-29						3	4	1	1	9
30-34										
35-39									1	1
40-UP										
Totals	3	10	15	24	9	12	9	1		85



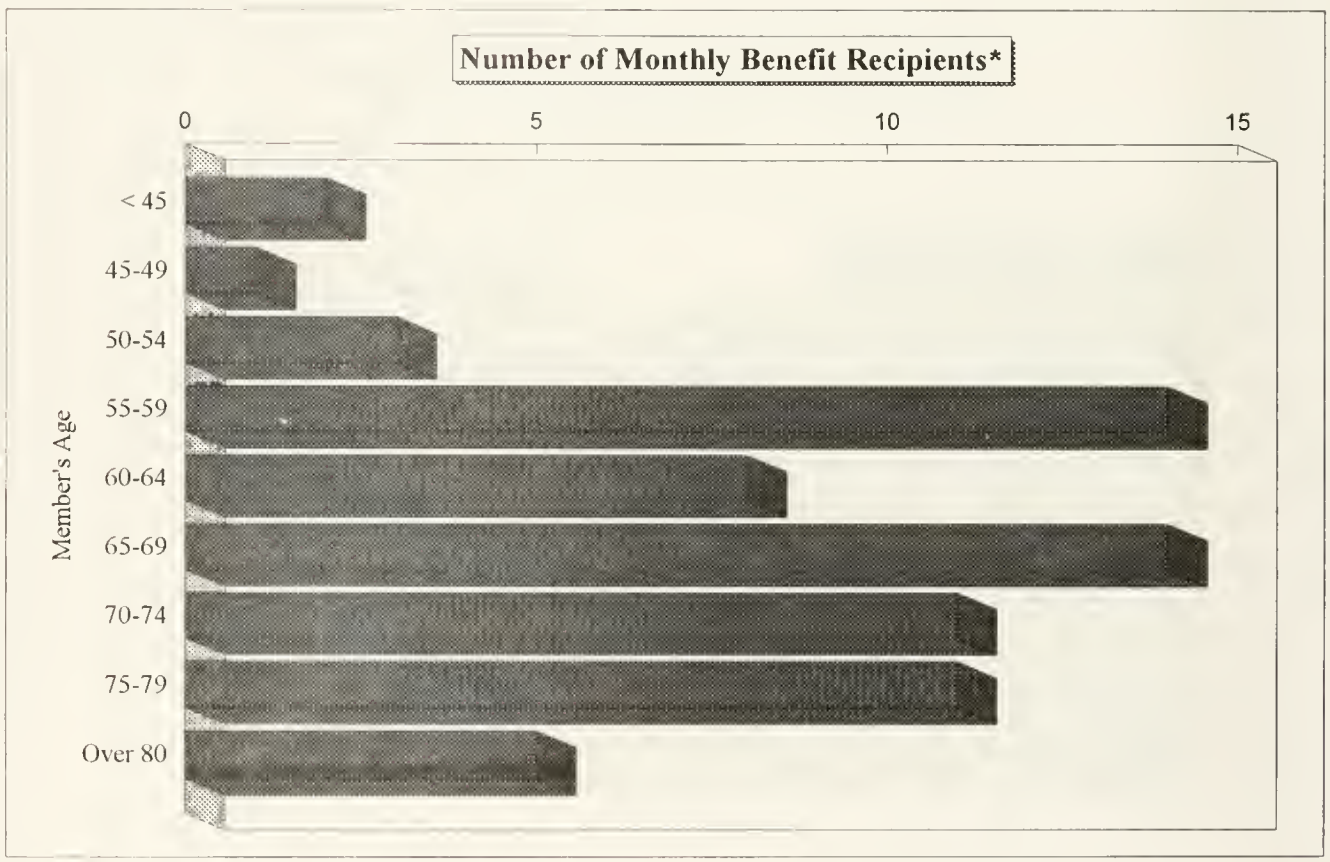
STATE OF MONTANA
GAME WARDENS' RETIREMENT SYSTEM
AVERAGE ANNUAL SALARY OF ACTIVE MEMBERS

Years of Service	Member's Age 20-25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	Over 60	Average
0-4	21,246	23,194	25,557	26,737	31,928					**24,589**
5-9		26,701	26,563	28,100	26,452					**27,314**
10-14			28,873	28,994	28,531	28,747				**28,896**
15-19				31,544	31,185					**31,364**
20-24				28,514		31,892	33,269			**32,142**
25-29					32,340	34,871	35,216	33,090	37,571	**35,127**
30-34										
35-39									47,817	**27,817**
40-UP										
Average	**$16,568**	**$23,473**	**$26,911**	**$30,173**	**$32,376**	**$32,786**	**$36,115**	**$39,851**	**$42,694**	**$29,345**



STATE OF MONTANA
GAME WARDENS' RETIREMENT SYSTEM
*NUMBER OF MONTHLY BENEFIT RECIPIENTS**

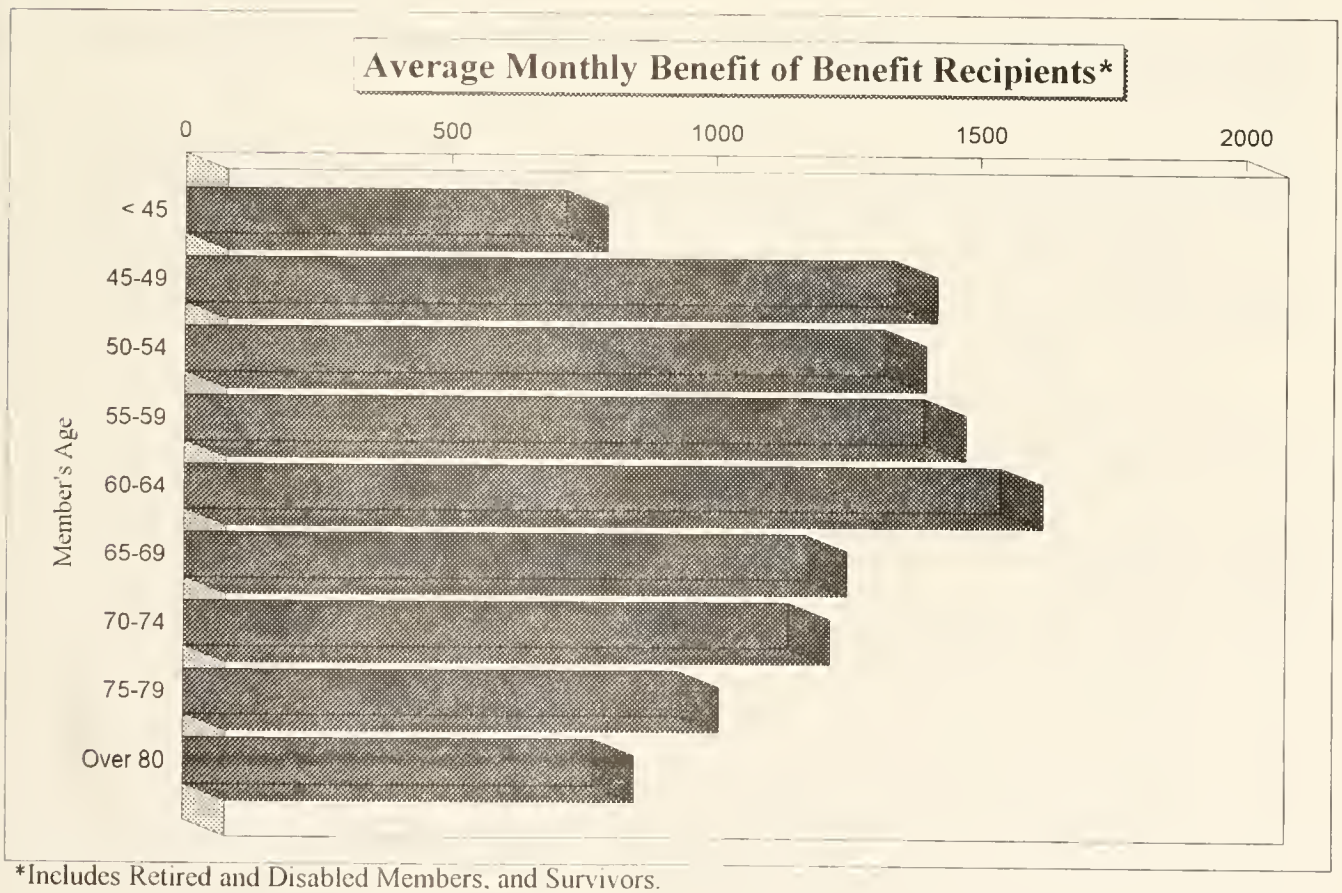
Years of Service	Recipient's Age									
	< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	Totals
0-4										
5-9						1				1
10-14	1			1						2
15-19	1				1	3		1	1	7
20-24		1	1	5	1	3	2	1	2	16
25-29			2	4	1	1	5	4	1	18
30-34				4	5	4	3	4	1	21
35-39						2	1	1		4
40-UP										
Totals	2	1	3	14	8	14	11	11	5	69



* Includes Retired and Disabled Members, and Survivors.

STATE OF MONTANA
GAME WARDENS' RETIREMENT SYSTEM
*AVERAGE MONTHLY BENEFIT OF BENEFIT RECIPIENTS**

Years of Service	Recipient's Age									
	< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	Average
0-4										
5-9						481				**481**
10-14	1,008									**1,023**
15-19	423				549			609		**571**
20-24		1,342	1,070	1,102	1,406	962	827	708	666	**994**
25-29			1,447	1,347	1,308	1,438	942	912	857	**1,124**
30-34				1,906	1,815	1,397	1,449	1,034	1,025	**1,514**
35-39						2,130	1,854	1,148		**1,816**
40-UP										
Average	**$716**	**$1,342**	**$1,321**	**$1,397**	**$1,542**	**$1,173**	**$1,142**	**$932**	**$772**	**$1,184**



*Includes Retired and Disabled Members, and Survivors.

STATE OF MONTANA
SHERIFFS' RETIREMENT SYSTEM
PENSION DISCLOSURE INFORMATION

ACTUARIAL ASSUMPTIONS

An experience study was completed in 1994 to investigate the actuarial experience of the Sheriffs' Retirement System of the State of Montana. A review of the system's data and experience revealed a need for changes in the mortality, withdrawal, disability, salary increase and service purchased assumptions. The remaining actuarial assumptions did not warrant a change from those used in the valuation of July 1, 1992. The assumption changes are described further in the Discussion of Actuarial Assumptions.

ACTUARIAL DATA SUMMARY

The active membership was 552 on June 30, 1994 compared to 521 on June 30, 1992. The annual payroll increased from $13.7 to $15.9 million during the biennium. The average pay per member grew at the rate of 9.4% per year.

The average active member is 40.8 years of age, was employed at age 31.9, has completed 8.9 years of service, and earns $28,748.

The number of members receiving benefits was 111 on June 30, 1994 compared to 99 on June 30, 1992. The annual benefit payout increased from $793,032 to $997,006 during the biennium.

The average retiree is 68.3 years of age, retired at age 60.0 with 22.3 years of service, and receives a benefit of $748 per month. The average pay per retired member grew at the rate of 5.71% per year.

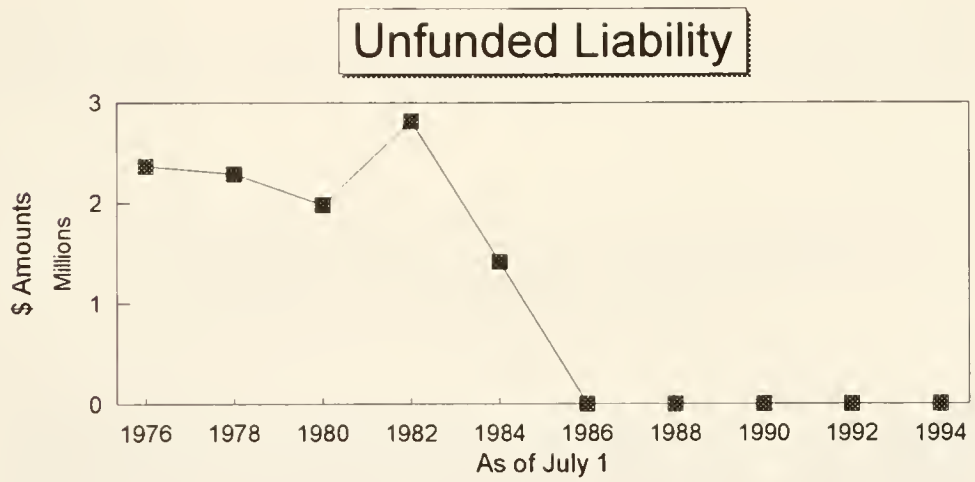
ACTUARIAL CONCLUSION

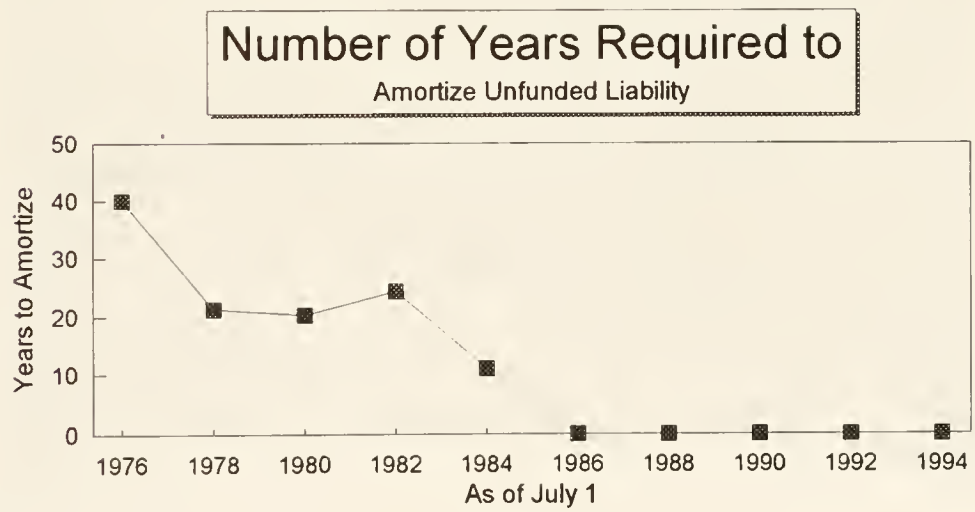
Because of increased payroll and benefit payouts, the system's total liability grew by 17.3%. This was offset by a 25.2% growth in assets.

Based on the results of this valuation, the Sheriffs' Retirement System is actuarially sound.

STATE OF MONTANA
SHERIFFS' RETIREMENT SYSTEM

As of July 1	Unfunded Liability	Number of Years Required to Amortize the Unfunded Liability
1976	2,366,580	40.00 *
1978	2,289,379	21.30
1980	1,980,797	20.28
1982	2,819,340	24.38
1984	1,415,825	10.98
1986	0	0.00
1988	0	0.00
1990	0	0.00
1992	0	0.00
1994	0	0.00

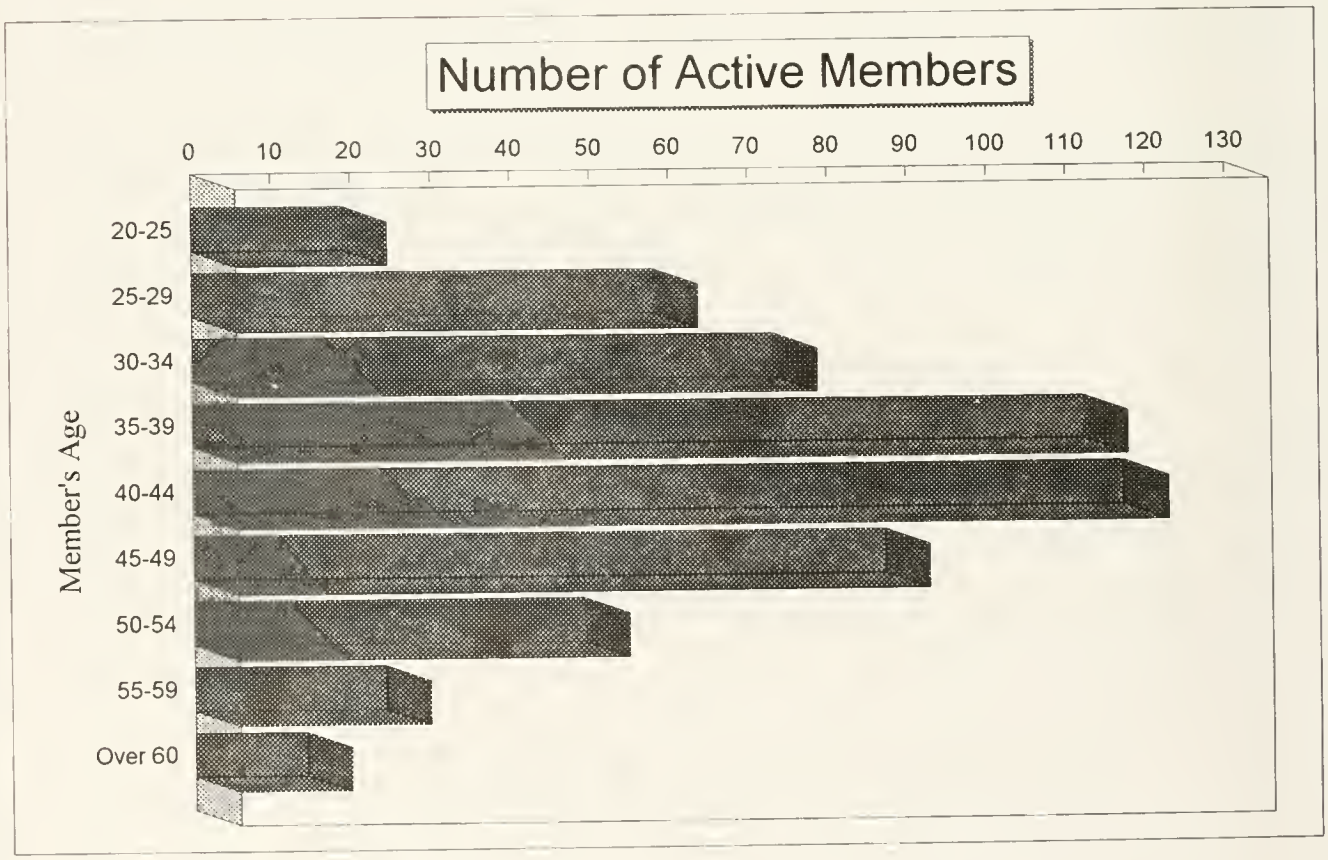




* Estimated

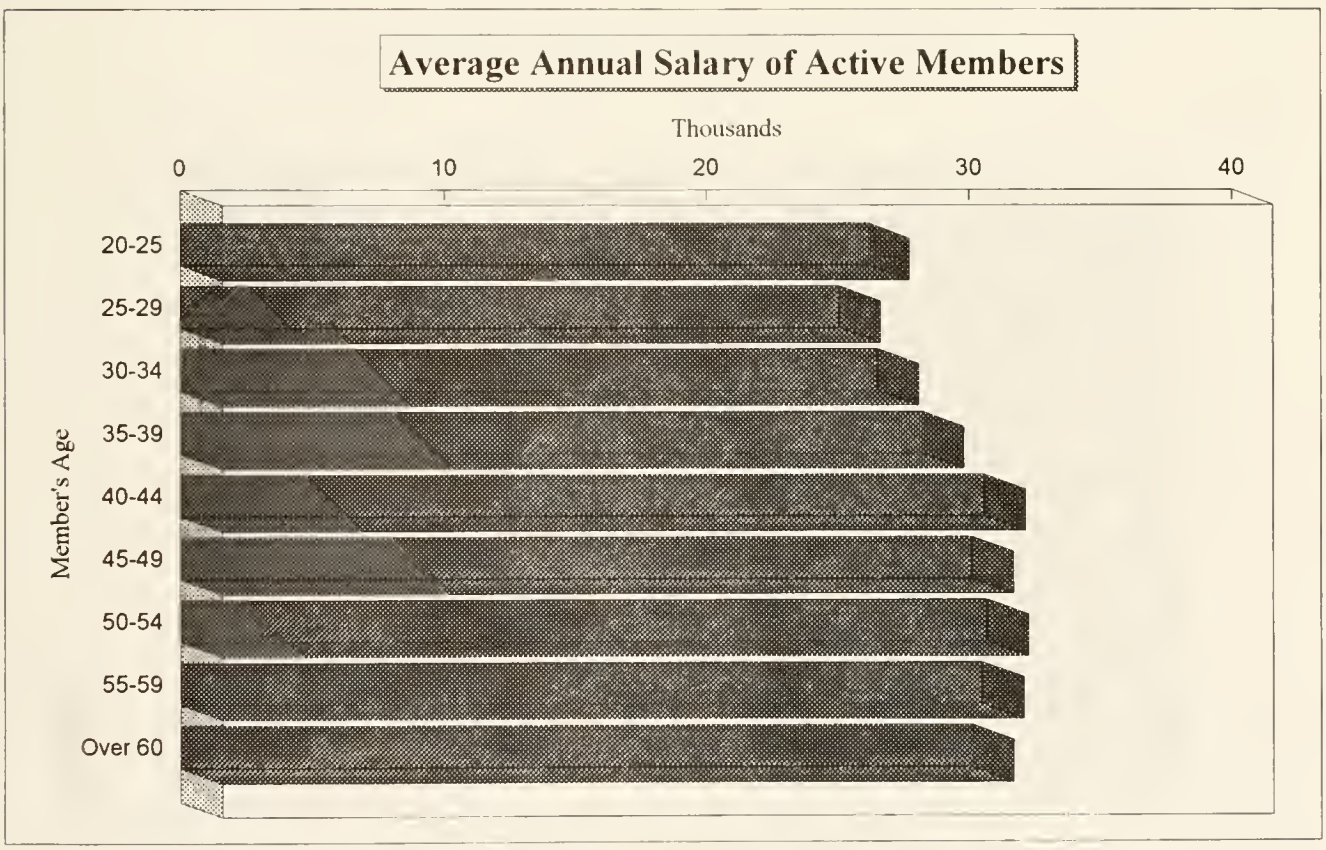
STATE OF MONTANA
SHERIFFS' RETIREMENT SYSTEM
NUMBER OF ACTIVE MEMBERS

Years of Service	Member's Age 20-25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	Over 60	Totals
0-4	19	48	48	45	26	24	8	6	2	**226**
5-9		10	20	24	25	14	9	5	1	**108**
10-14			4	23	27	16	10	1	2	**83**
15-19			1	19	28	23	9	6	5	**91**
20-24				1	11	10	12	4		**38**
25-29							1	2	2	**5**
30-34										
35-39									1	**1**
40-UP										
Totals	**19**	**58**	**73**	**112**	**117**	**87**	**49**	**24**	**13**	**552**



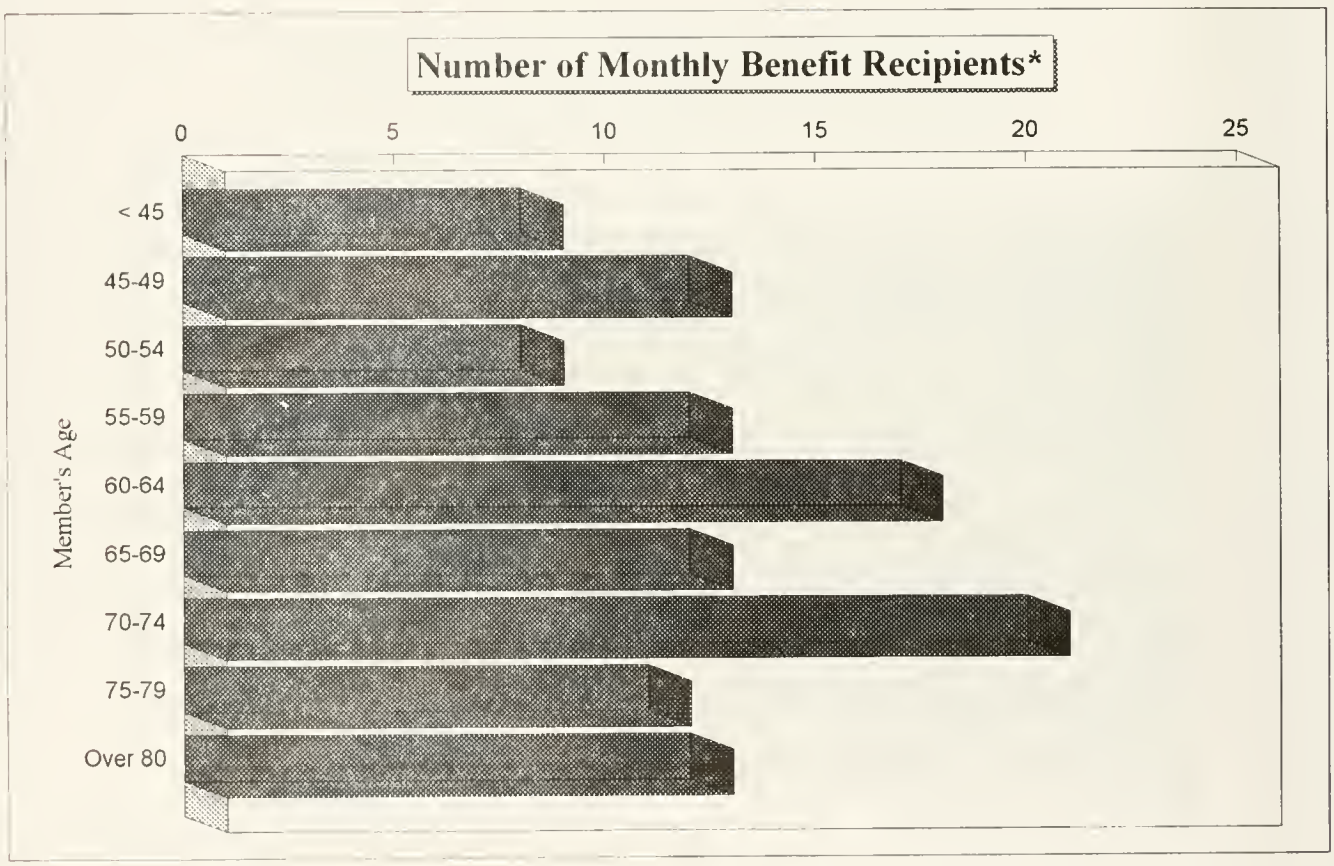
STATE OF MONTANA
SHERIFFS' RETIREMENT SYSTEM
AVERAGE ANNUAL SALARY OF ACTIVE MEMBERS

Years of Service	Member's Age 20-25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	Over 60	Average
0-4	26,168	24,467	25,116	26,024	25,939	25,992	25,705	24,569	19,548	**25,392**
5-9		27,896	28,513	27,242	27,154	28,032	29,245	31,698	32,584	**28,043**
10-14			32,466	28,500	33,867	30,299	30,957	30,151	29,304	**31,119**
15-19			29,864	34,068	33,554	33,013	29,353	33,610	31,382	**32,953**
20-24				32,353	33,554	35,952	36,004	31,908		**34,754**
25-29							28,581	33,150	34,883	**32,929**
30-34										
35-39									34,658	**34,658**
40-UP										
Average	**$26,168**	**$25,059**	**$26,514**	**$28,215**	**$30,566**	**$30,113**	**$30,678**	**$30,485**	**$30,125**	**$28,748**



STATE OF MONTANA
SHERIFFS' RETIREMENT SYSTEM
*NUMBER OF MONTHLY BENEFIT RECIPIENTS**

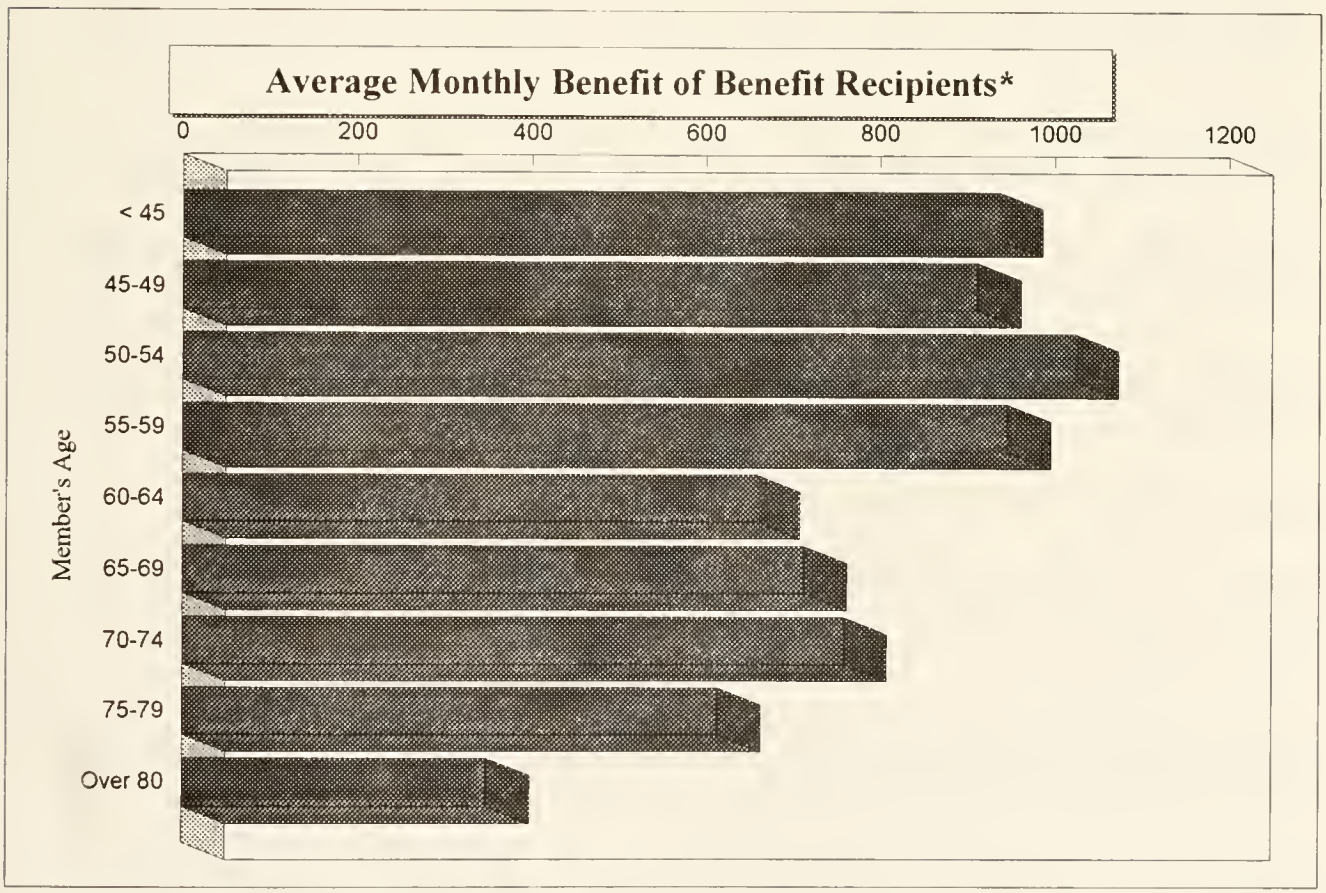
Years of Service	Recipient's Age									
	< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	Totals
0-4	2	3		1	3				1	**10**
5-9	3	4	1	1						**9**
10-14	2		2		4		4	2	3	**17**
15-19		2		1	5	5	3	3	3	**22**
20-24	1	2	4	3		2	6	3	4	**25**
25-29		1	1	6	4	4	4	1	1	**22**
30-34					1	1	1	2		**5**
35-39										
40-UP							1			**1**
Totals	**8**	**12**	**8**	**12**	**17**	**12**	**19**	**11**	**12**	**111**



* Includes Retired and Disabled Members, and Survivors.

STATE OF MONTANA
SHERIFFS' RETIREMENT SYSTEM
*AVERAGE MONTHLY BENEFIT OF BENEFIT RECIPIENTS**

Years of Service	Recipient's Age									
	< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	Average
0-4	629	896		659	329					**575**
5-9	1,061	748	718	776						**852**
10-14	1,003		1,033		609		434	222	274	**559**
15-19		804		1,033	617	624	602	556	330	**605**
20-24			1,073	809		574	754	633	425	**765**
25-29		1,543		1,076	929	848	876	546		**945**
30-34						891	1,136	1,100		**1,041**
35-39										
40-UP							1,717			**1,717**
Average	**$936**	**$912**	**$1,024**	**$946**	**$659**	**$713**	**$759**	**$614**	**$348**	**$748**



*Includes Retired and Disabled Members, and Survivors.

STATE OF MONTANA
JUDGES' RETIREMENT SYSTEM
PENSION DISCLOSURE INFORMATION

ACTUARIAL ASSUMPTIONS

An experience study was completed in 1994 to investigate the actuarial experience of the Judges' Retirement System of the State of Montana. A review of the system's data and experience revealed a need for changes in the mortality and salary increase assumptions. The remaining actuarial assumptions did not warrant a change from those used in the valuation of July 1, 1992. The assumption changes are described further in the Discussion of Actuarial Assumptions.

The overall effect of the revised assumptions was a decrease in the funding period of 0.89 years from 9.48 to 8.59. Had the additional cost not been absorbed in the funding period, the annual required contribution would have decreased by 0.74% of compensation.

ACTUARIAL DATA SUMMARY

The active membership was 44 on June 30, 1994 compared to 43 on June 30, 1992. The annual payroll increased to $2.8 from $2.7 million during the biennium and the average pay per member grew at the rate of 4.2% per year.

The average active member is 56.8 years of age, was employed at age 48.0, has completed 8.8 years of service, and earns $63,118.

The number of members receiving benefits was 34 on June 30, 1994 compared to 31 on June 30, 1992. The annual benefit payout increased from $625,475 to $799,707 during the biennium.

The average retiree is 75.8 years of age, retired at age 68.7 with 16.0 years of service, and receives a benefit of $1,960 per month. The benefit payout per retired member grew at the rate 7.56% per year.

ACTUARIAL CONCLUSION

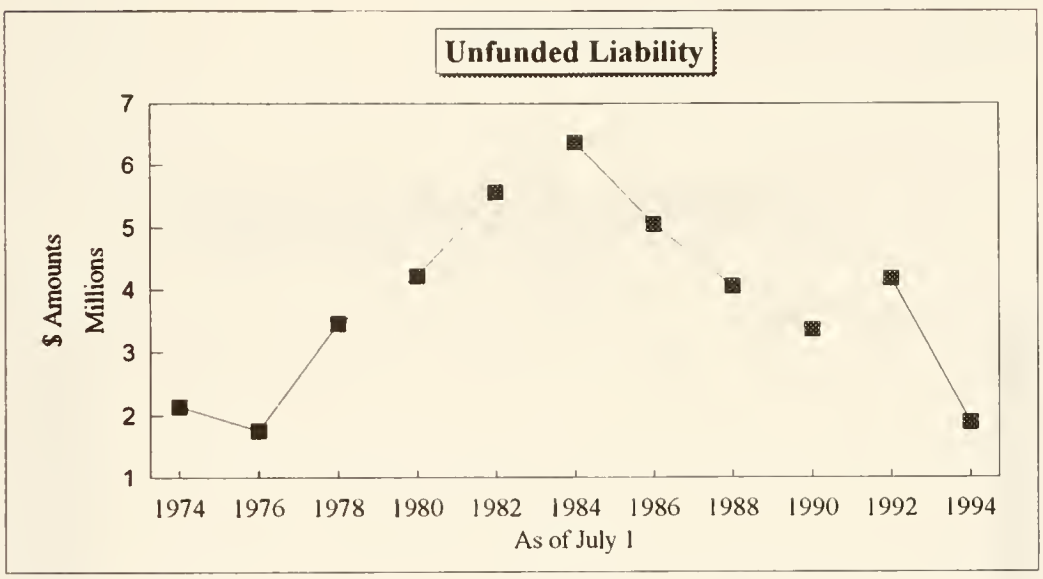
Because of increased payroll and benefit payouts, the system's total liability grew by 11.4%. This was offset by a 22.6% growth in assets. The current funding level allows the system's unfunded liability to be funded over 8.59 years compared to 21.05 years in 1992.

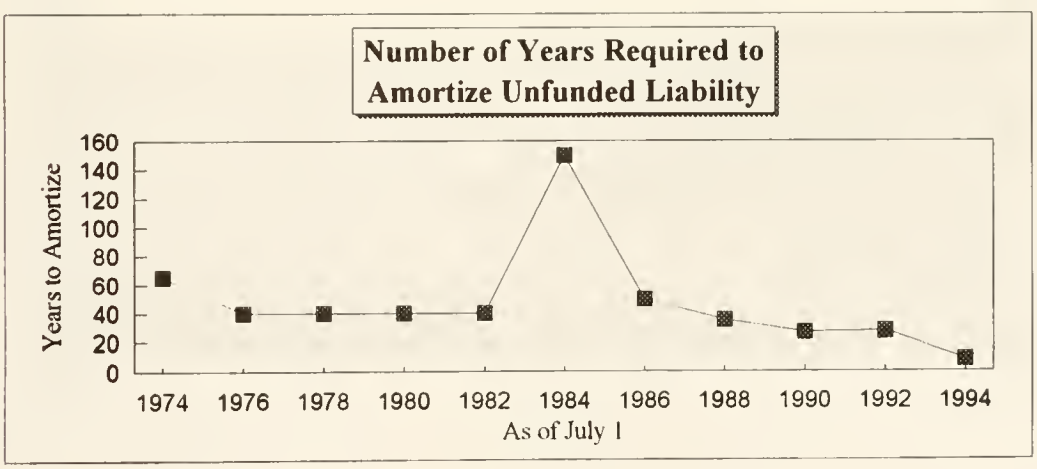
The contribution rate used in the valuation was 48.01%. The member's contribution was 7% of compensation, the state's is 6% and the 34.71% is to be contributed from district court fees. In addition, ¼ of the Supreme Court fees are contributed to the system.

Unfortunately, the court fees produced only 20.8% of compensation. This amount is not sufficient to adequately fund the system. It is imperative that this situation be corrected.

STATE OF MONTANA
JUDGES' RETIREMENT SYSTEM

As of July 1	Unfunded Liability	Number of Years Required to Amortize the Unfunded Liability
1974	2,138,000	65.00
1976	1,751,000	40.00 *
1978	3,461,701	40.00 *
1980	4,221,166	40.00 *
1982	5,561,446	40.00 *
1984	6,366,475	150.00
1986	5,061,998	49.61
1988	4,060,634	35.01
1990	3,364,480	26.72
1992	4,183,758	27.33
1994	1,889,974	8.59

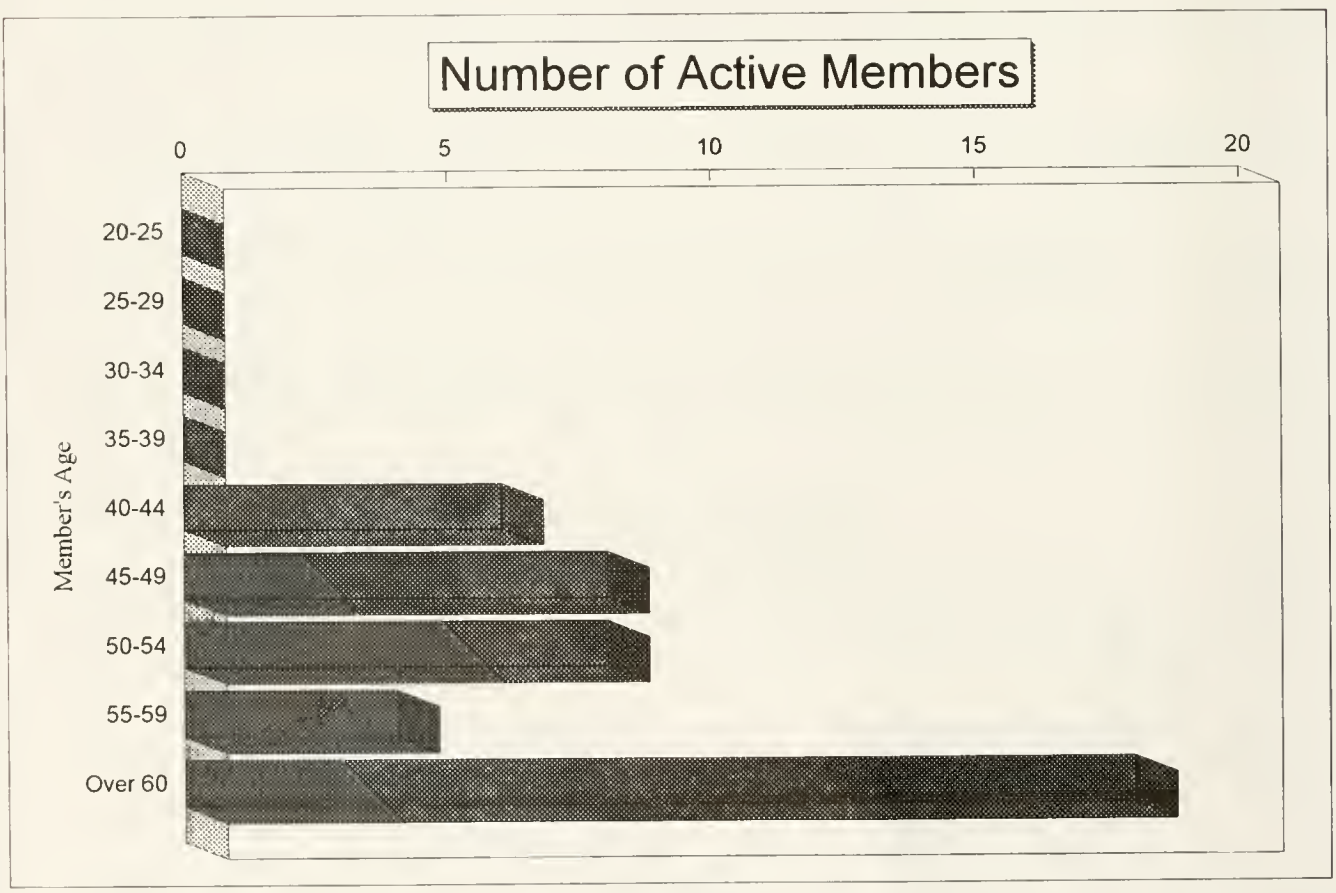




* Estimated

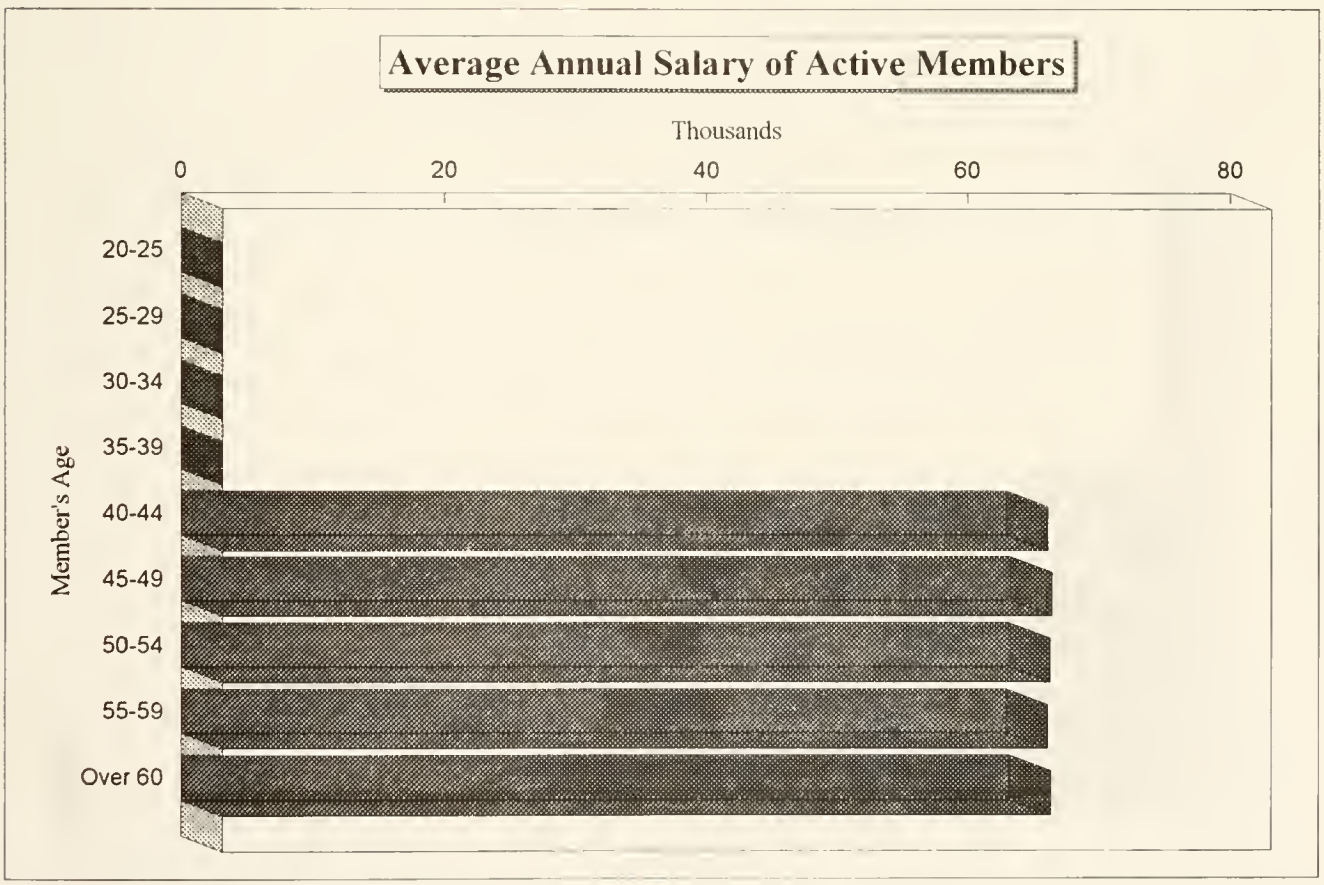
STATE OF MONTANA
JUDGES' RETIREMENT SYSTEM
NUMBER OF ACTIVE MEMBERS

Years of Service	Member's Age 20-25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	Over 60	Totals
0-4					4	5	2	1	2	14
5-9					2	3	2	1	4	12
10-14							3	2	8	13
15-19							1		2	3
20-24									1	1
25-29										
30-34									1	1
35-39										
40-UP										
Totals					6	8	8	4	18	44



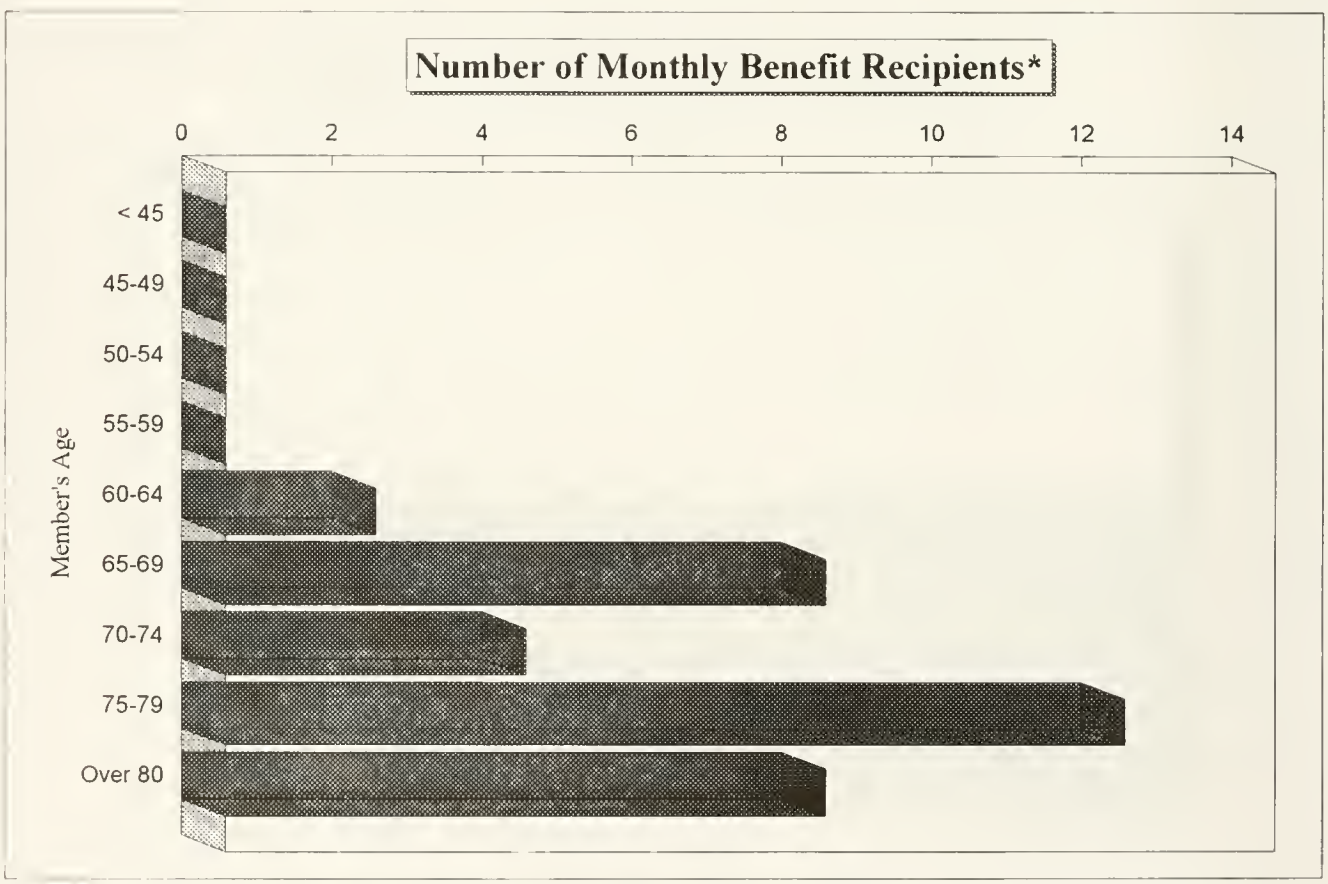
STATE OF MONTANA
JUDGES' RETIREMENT SYSTEM
AVERAGE ANNUAL SALARY OF ACTIVE MEMBERS

Years of Service	Member's Age 20-25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	Over 60	Average
0-4					62,937	63,444	63,571	62,937	62,937	**63,209**
5-9					62,937	62,937	62,937	62,937	63,254	**63,042**
10-14							62,937	62,937	63,095	**63,034**
15-19							62,937		62,937	**62,937**
20-24									62,937	**62,937**
25-29										
30-34									64,205	**64,205**
35-39										
40-UP										
Average					**$62,937**	**$63,254**	**$63,095**	**$62,937**	**$63,148**	**$63,110**



STATE OF MONTANA
JUDGES' RETIREMENT SYSTEM
*NUMBER OF MONTHLY BENEFIT RECIPIENTS**

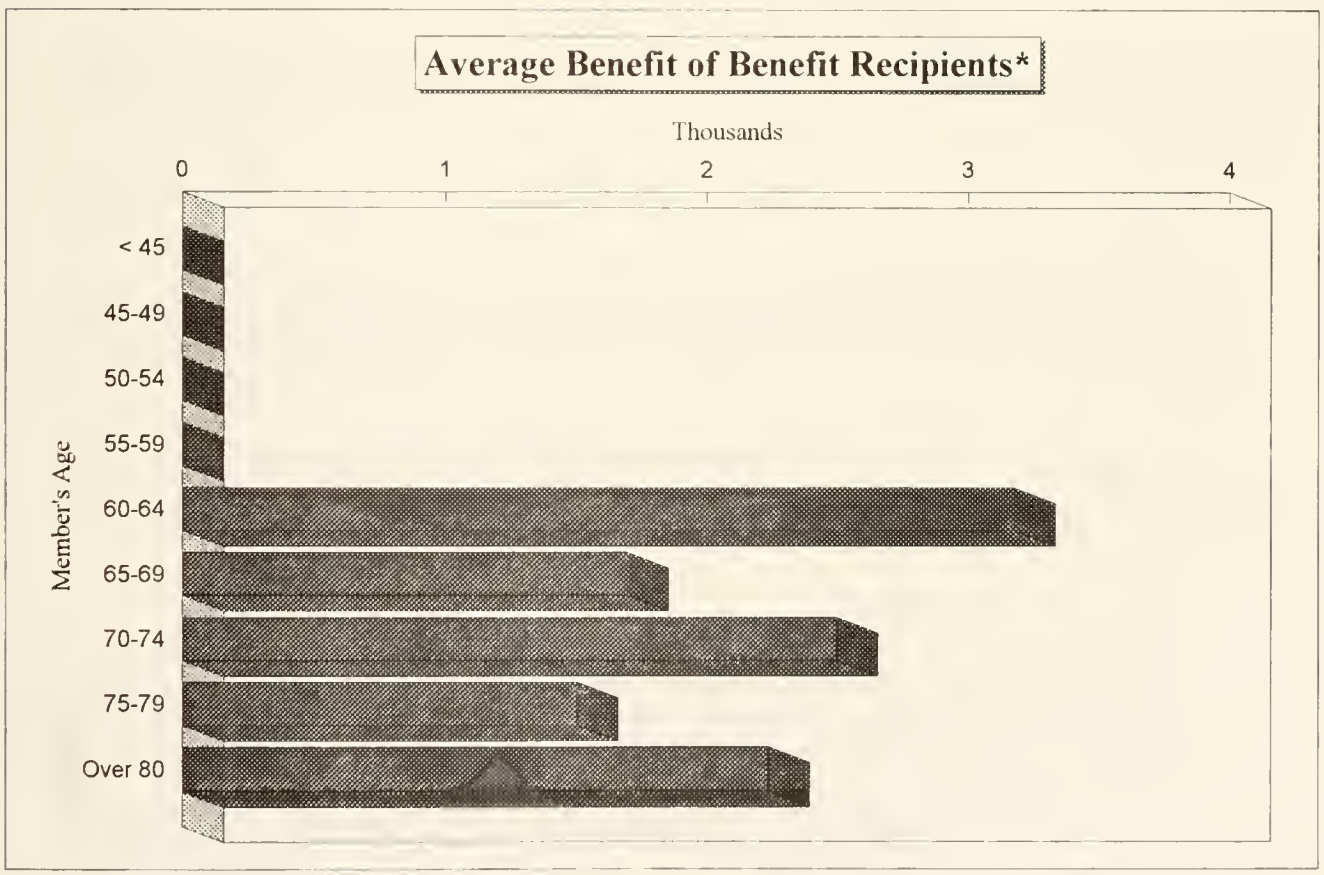
Years of Service	Recipient's Age									
	< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	Totals
0-4										
5-9						3		2		5
10-14						3	1	2	1	7
15-19					1	1	1	8	2	13
20-24						1			3	4
25-29							2		2	4
30-34					1					1
35-39										
40-UP										
Totals					2	8	4	12	8	34



* Includes Retired and Disabled Members, and Survivors.

STATE OF MONTANA
JUDGES' RETIREMENT SYSTEM
*AVERAGE MONTHLY BENEFIT OF BENEFIT RECIPIENTS**

Years of Service	Recipient's Age									
	< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	Average
0-4										
5-9						1,109		972		**1,054**
10-14						1,588	1,889	1,920	1,911	**1,815**
15-19					2,790	2,852	2,194	1,532	1,752	**1,815**
20-24						2,510			2,304	**2,356**
25-29							3,260		2,788	**3,024**
30-34										
35-39										
40-UP										
Average					**$3,177**	**$1,695**	**$2,498**	**$1,503**	**$2,238**	**$1,960**



*Includes Retired and Disabled Members, and Survivors.

STATE OF MONTANA
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM
PENSION DISCLOSURE INFORMATION

ACTUARIAL ASSUMPTIONS

An experience study was completed in 1994 to investigate the actuarial experience of the Highway Patrol Officers' Retirement System of the State of Montana. A review of the system's data and experience revealed a need for changes in the mortality, withdrawal, disability, salary increase and service purchased assumptions. The remaining actuarial assumptions did not warrant a change from those used in the valuation of July 1, 1992. The assumption changes are described further in the Discussion of Actuarial Assumptions.

The overall effect of the revised assumptions was an increase in the unfunded liability of $226,760; which in turn, increased the funding period 0.75 years from 25.6 to 26.35. Had the additional cost not been absorbed in the funding period, the annual required contribution would have increased by 0.47% of compensation.

ACTUARIAL DATA SUMMARY

The active membership was 202 on June 30, 1994 compared to 203 on June 30, 1992. The annual payroll increased from $5.6 to $5.7 million during the biennium. The average pay per member grew at the rate of 1.8% per year.

The average active member is 38.6 years of age, was employed at age 27.6, has completed 11.0 years of service, and earns $27,972.

The number of members receiving benefits was 221 on June 30, 1994 compared to 201 on June 30, 1992. The annual benefit payout increased from $2.20 to $2.83 million during the biennium.

The average retiree is 63.0 years of age, retired at age 50.5 with 24.4 years of service, and receives a benefit of $1,067 per month. The average pay per retired member grew at the rate of 7.35% per year.

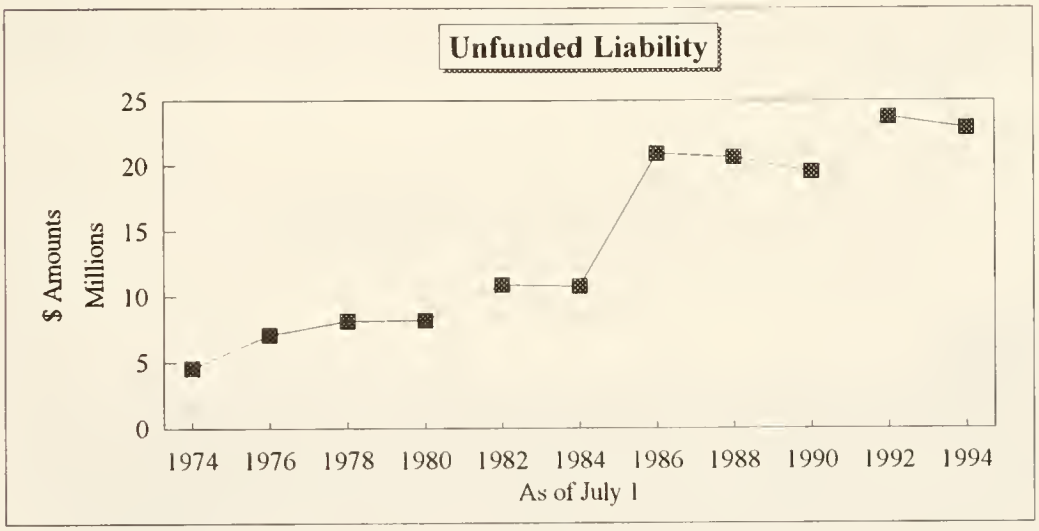
ACTUARIAL CONCLUSION

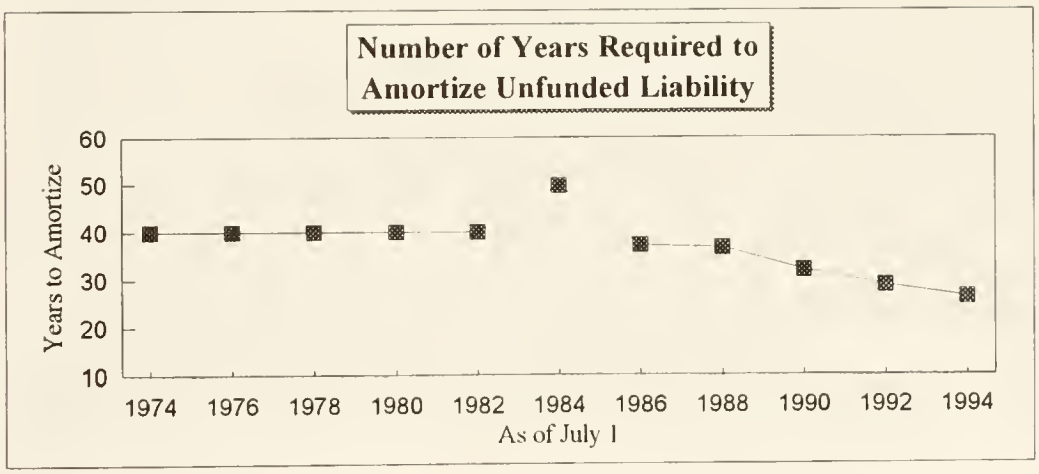
Because of increased payroll and benefit payouts, the system's total liability grew by 9.4%. This was offset by a 20.0% growth in assets. The current funding level allows the system's unfunded liability to be funded over 26.35 years compared to 28.8 years in 1992.

Based on the results of this valuation, the Highway Patrol Officers' Retirement System is actuarially sound.

STATE OF MONTANA
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM

As of July 1	Unfunded Liability	Number of Years Required to Amortize the Unfunded Liability
1974	4,569,000	40.00 *
1976	7,057,000	40.00 *
1978	8,144,931	40.00 *
1980	8,179,255	40.00 *
1982	10,872,809	40.00 *
1984	10,791,410	49.81
1986	20,900,452	37.29
1988	20,642,620	36.65
1990	19,513,336	31.97
1992	23,736,147	28.80
1994	22,861,220	26.35





* Estimated

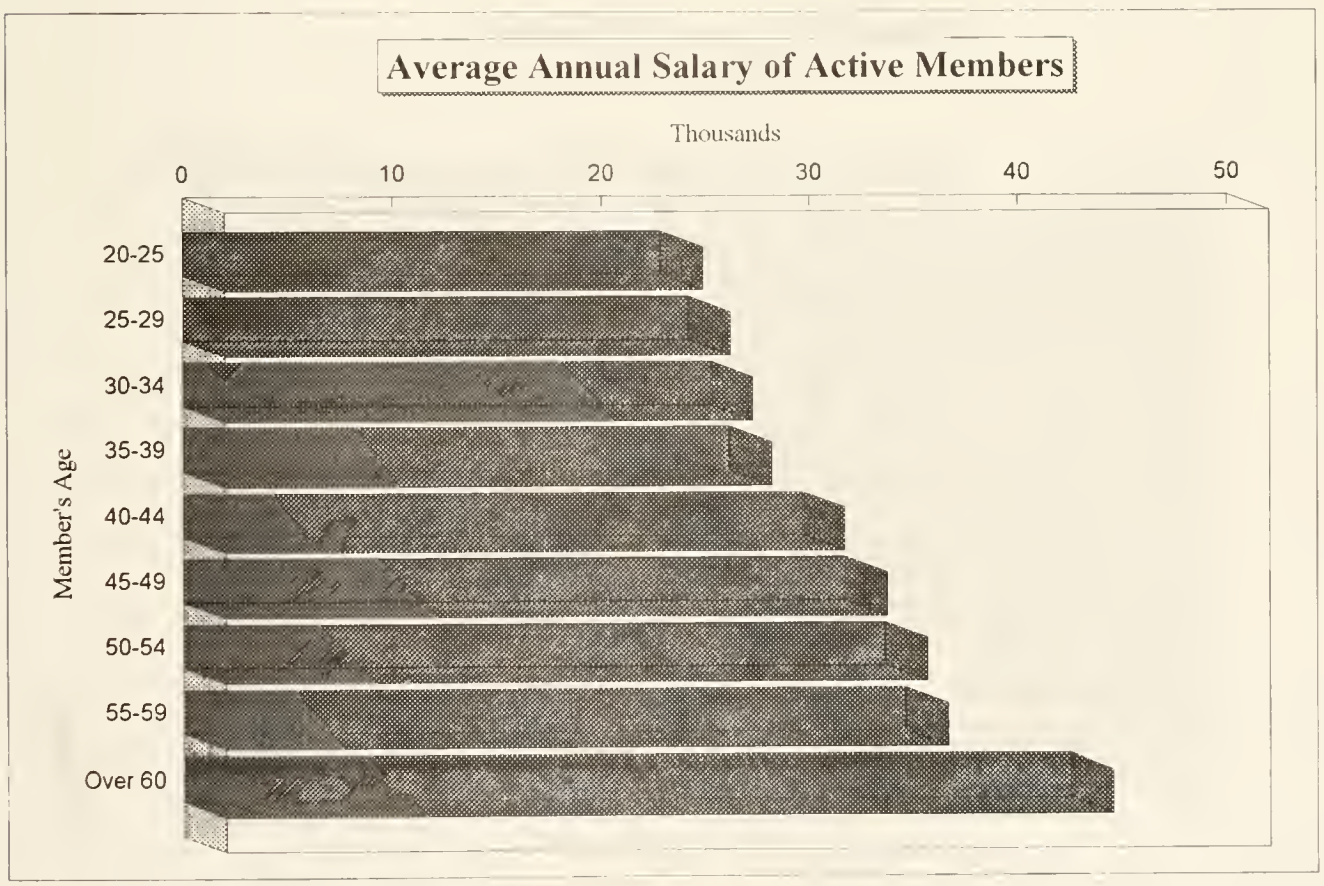
STATE OF MONTANA
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM
NUMBER OF ACTIVE MEMBERS

Years of Service	Member's Age 20-25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	Over 60	Totals
0-4	4	39	26	10	4	1				84
5-9		1	16	10	7					34
10-14			1	2	6	4				13
15-19				1	10	10	1			22
20-24					8	17	5	4		34
25-29						2	5	1		8
30-34							1	5	1	7
35-39										
40-UP										
Totals	4	40	43	23	35	34	12	10	1	202



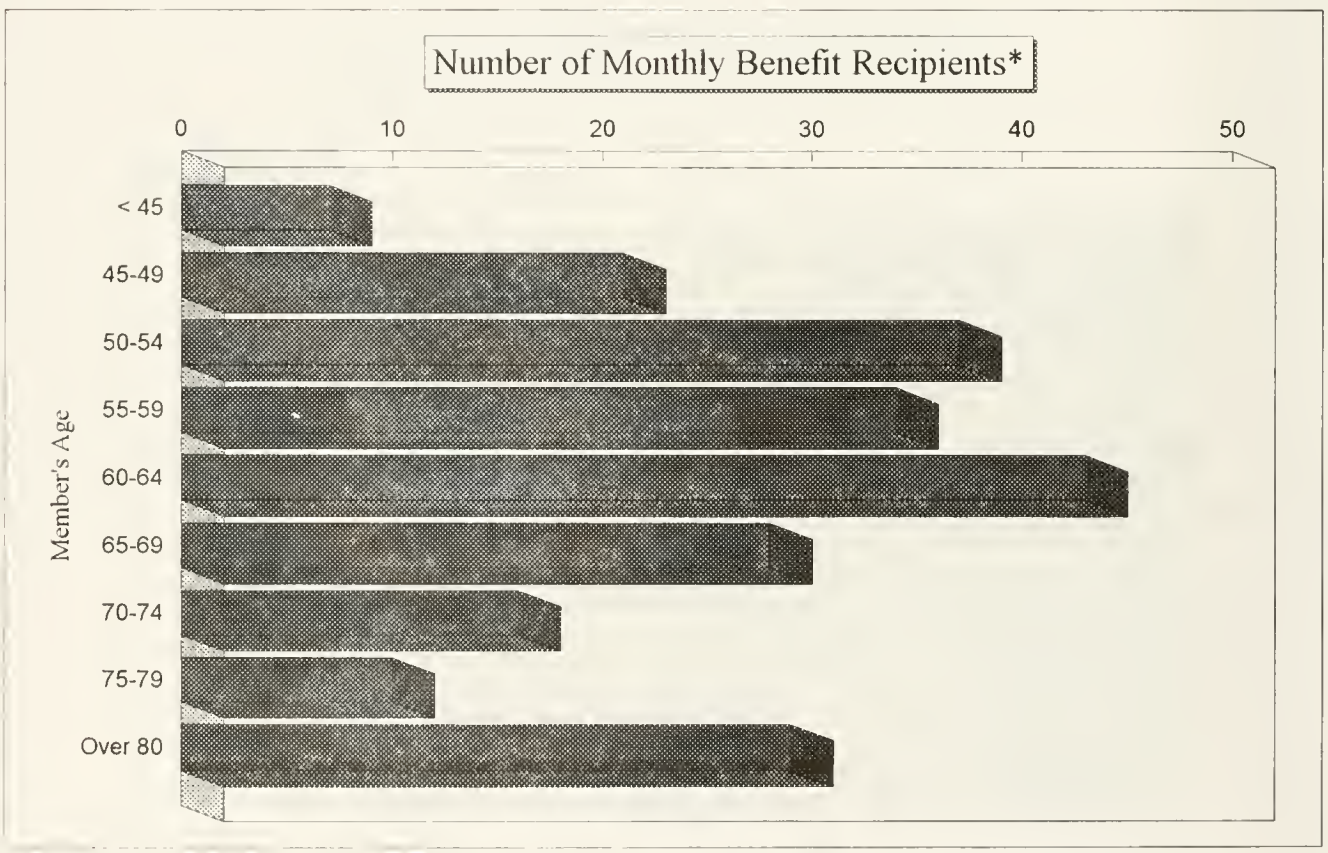
STATE OF MONTANA
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM
AVERAGE ANNUAL SALARY OF ACTIVE MEMBERS

Years of Service	Member's Age 20-25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	Over 60	Average
0-4	22,857	24,053	24,233	24,639	24,635	24,299				**24,152**
5-9		28,686	26,671	27,058	26,371					**26,782**
10-14			28,123	28,563	27,833	28,193				**28,078**
15-19				27,239	31,684	31,212	31,287			**31,249**
20-24					33,793	32,815	32,370	31,983		**32,882**
25-29						34,971	35,685	32,335		**35,088**
30-34							31,721	37,098	42,474	**37,098**
35-39										
40-UP										
Average	**$22,857**	**$24,169**	**$25,230**	**$26,145**	**$29,638**	**$31,676**	**$33,607**	**$34,576**	**$42,474**	**$27,972**



STATE OF MONTANA
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM
*NUMBER OF MONTHLY BENEFIT RECIPIENTS**

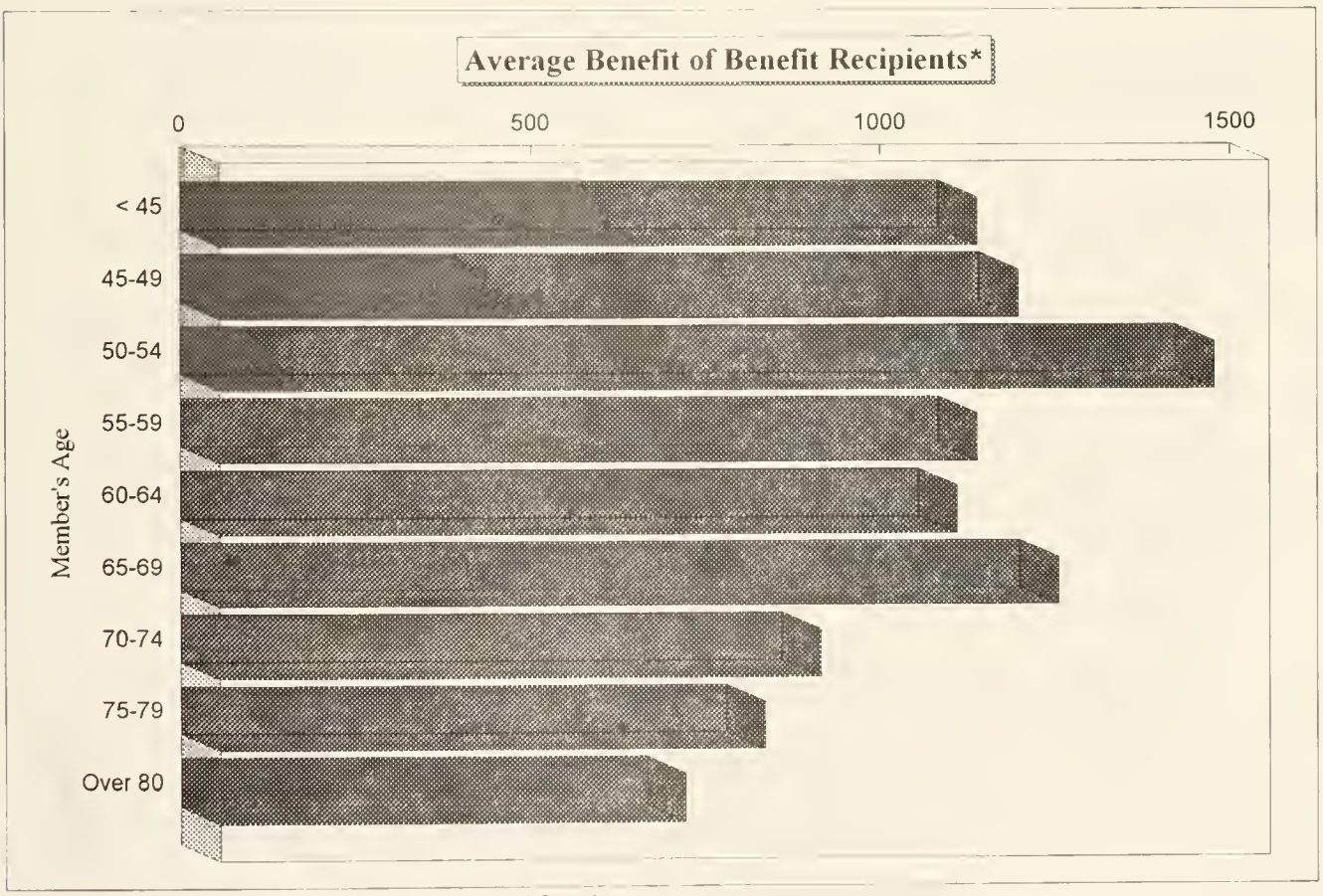
Years of Service	Recipient's Age									
	< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	Totals
0-4	1									1
5-9	1	5			1				1	8
10-14				4	1	3	1		1	10
15-19	2		1		3	1				7
20-24	3	15	17	18	12	7	7	4	16	99
25-29		1	18	9	16	5	7	5	10	71
30-34			1	3	8	6	1	1	1	21
35-39					1	1				2
40-UP						2				2
Totals	7	21	37	34	42	25	16	10	29	221



* Includes Retired and Disabled Members, and Survivors.

STATE OF MONTANA
HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM
*AVERAGE MONTHLY BENEFIT OF BENEFIT RECIPIENTS**

Years of Service	Recipient's Age									
	< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	Average
0-4	509									**509**
5-9	1,090	600			600				496	**648**
10-14				206	161	289	489		744	**309**
15-19	857		1,137		398	273				**617**
20-24	1,421	1,281	1,068	1,007	834	780	802	624	579	**936**
25-29		1,745	1,705	1,386	1,117	1,149	958	830	770	**1,227**
30-34			2,598	1,788	1,632	1,534	920	1,137	1,049	**1,587**
35-39					1,947	1,410				**1,679**
40-UP						3,121				**3,121**
Average	**$1,082**	**$1,141**	**$1,421**	**$1,082**	**$1,067**	**$1,168**	**$858**	**$778**	**$664**	**$1,067**



*Includes Retired and Disabled Members, and Survivors.

STATE OF MONTANA
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM
PENSION DISCLOSURE INFORMATION

ACTUARIAL ASSUMPTIONS

An experience study was completed in 1994 to investigate the actuarial experience of the Highway Patrol Officers' Retirement System of the State of Montana. A review of the system's data and experience revealed a need for changes in the mortality, withdrawal, disability, salary increase and service purchased assumptions. The remaining actuarial assumptions did not warrant a change from those used in the valuation of July 1, 1992. The assumption changes are described further in the Discussion of Actuarial Assumptions.

The overall effect of the revised assumptions was an increase in the unfunded liability of $1,325,439; which in turn, increased the funding period 1.18 years from 24.28 to 25.46. Had the additional cost not been absorbed in the funding period, the annual required contribution would have been increased by 0.78% of compensation.

ACTUARIAL DATA SUMMARY

The active membership was 412 on June 30, 1994 compared to 420 on June 30, 1992. The annual payroll increased from $10.9 to $12.4 million during the biennium. The average pay per member grew at the rate of 7.88% per year.

The average active member is 40.6 years of age, was employed at age 26.7, has completed 13.9 years of service, and earns $30,156.

The number of members receiving benefits was 417 on June 30, 1994 compared to 401 on June 30, 1992. The annual benefit payouts increased from $4.75 to $5.24 million during the biennium.

The average retiree is 64.6 years of age, retired at age 50.0 with 24.7 years of service, and receives a benefit of $1,047 per month. The average pay per retired member grew at the rate of 2.53% per year.

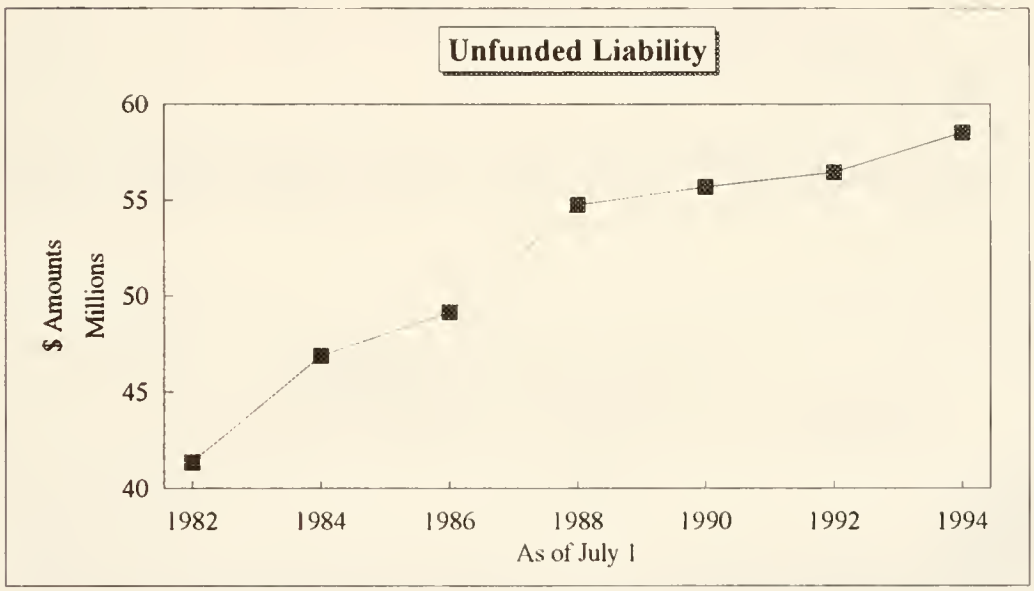
ACTUARIAL CONCLUSION

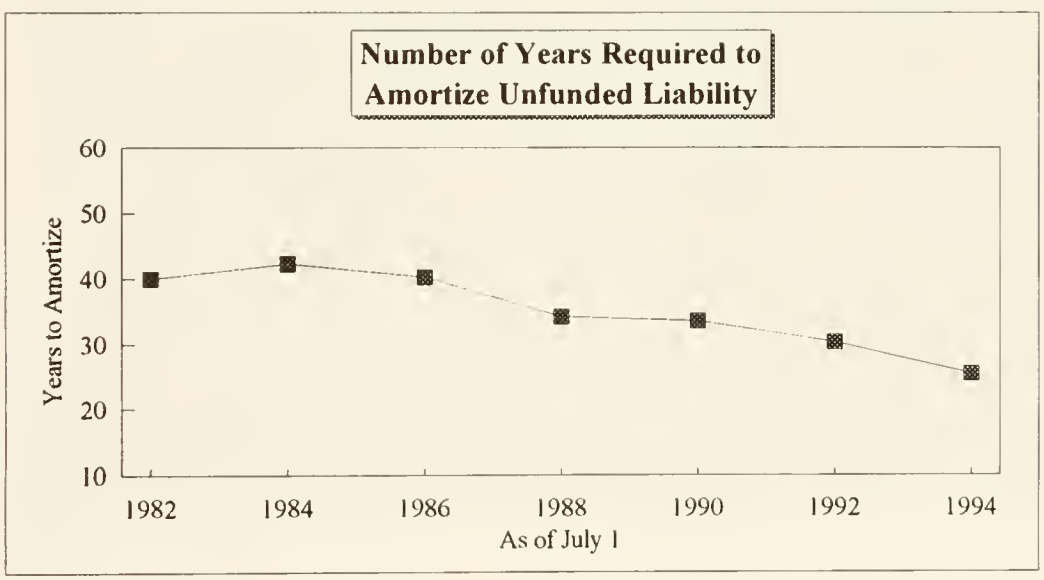
Because of increased payroll and benefit payouts, the system's total liability grew by 9.8%. This was offset by a 23.8% growth in assets. The current funding level allows the system's unfunded liability to be funded over 25.46 years compared to 30.36 years in 1992.

Based on the results of this valuation, the Firefighters' Unified Retirement System is actuarially sound.

STATE OF MONTANA
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM

As of July 1	Unfunded Liability	Number of Years Required to Amortize the Unfunded Liability
1982	41,340,507	40.00
1984	46,882,278	42.29
1986	49,126,785	40.23
1988	54,747,753	34.25
1990	55,689,839	33.54
1992	56,448,547	30.36
1994	58,506,008	25.46

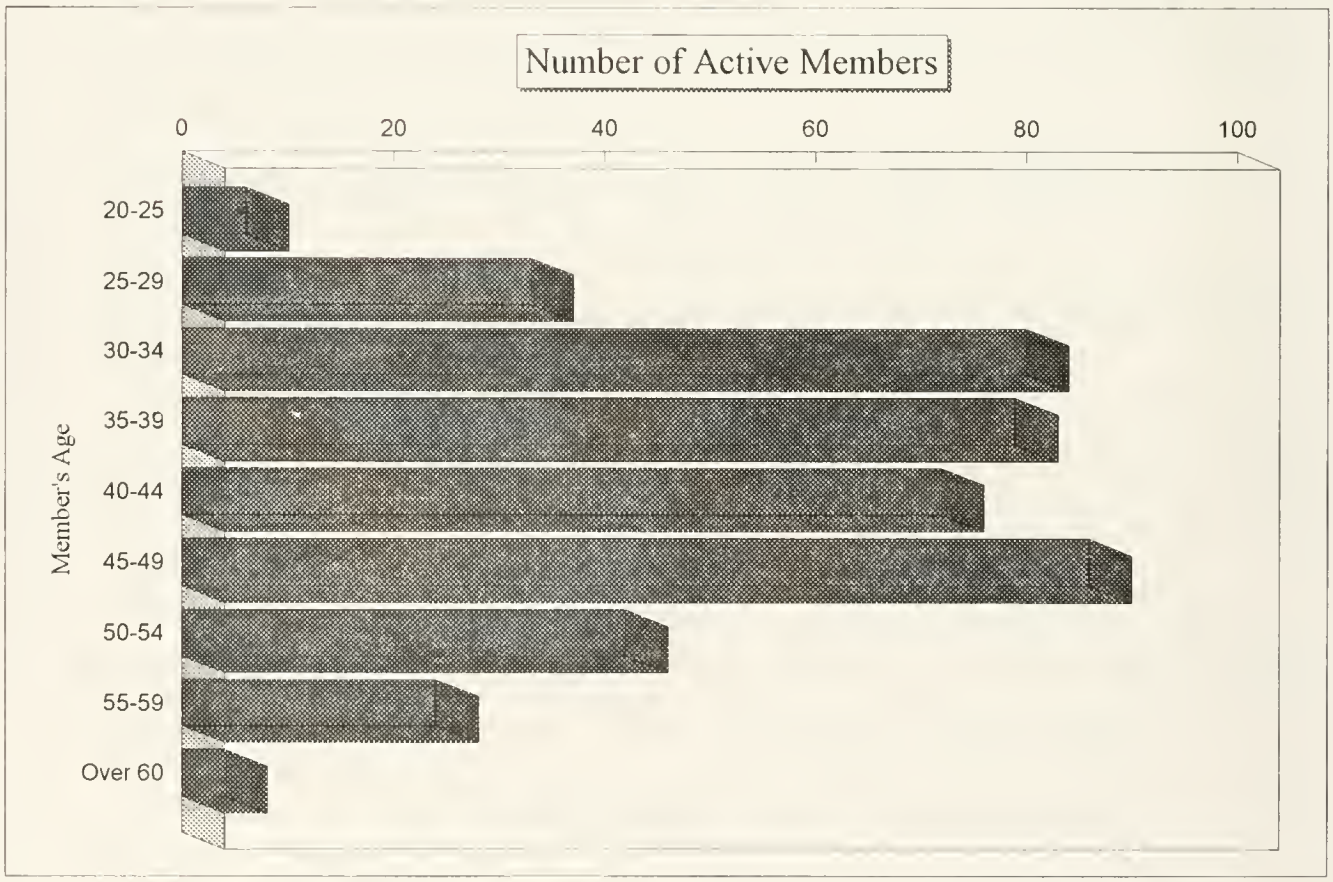




* Estimated

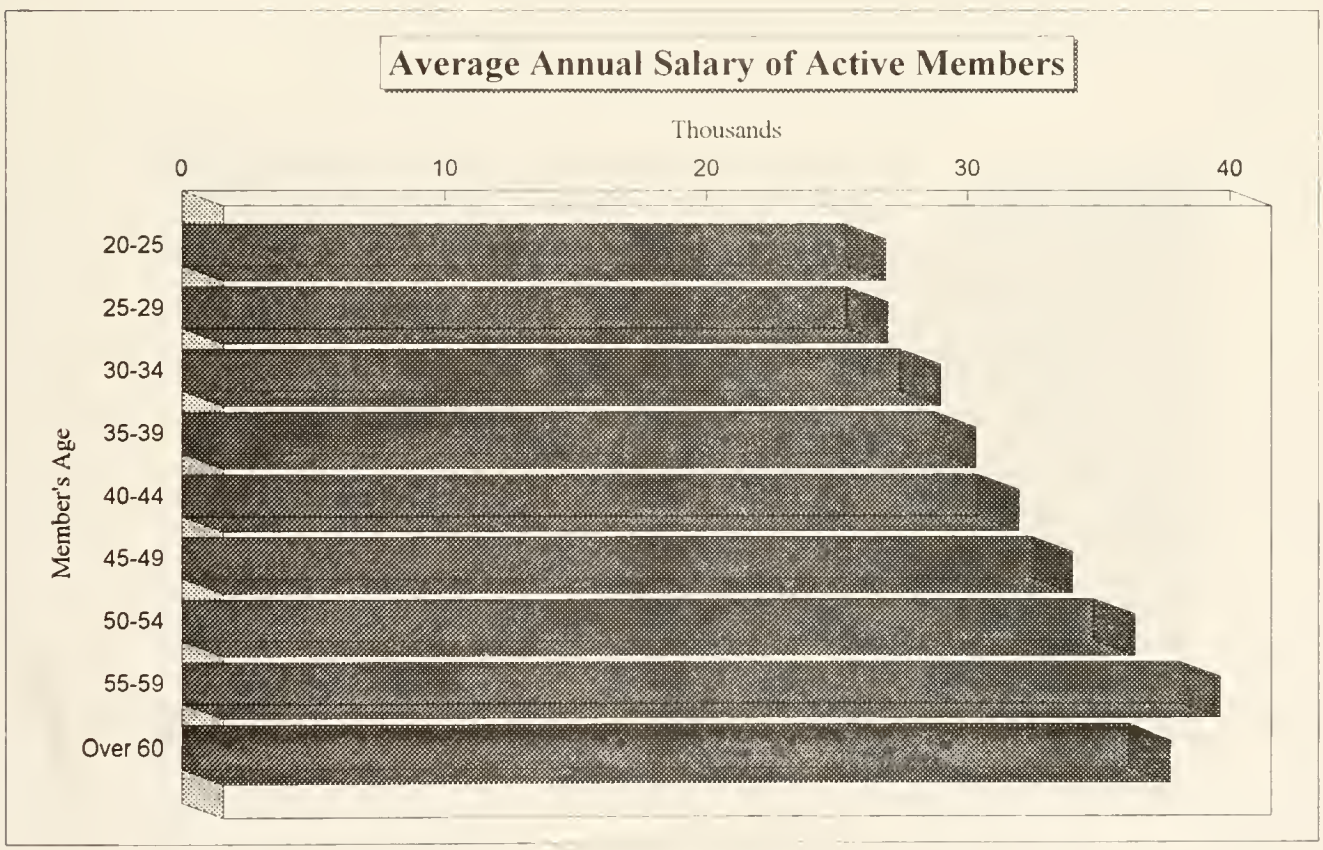
STATE OF MONTANA
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM
NUMBER OF ACTIVE MEMBERS

Years of Service	Member's Age 20-25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	Over 60	Totals
0-4	6	29	33	7	1	1	1			**78**
5-9		4	38	29	8	4		1		**84**
10-14			8	24	17	2				**51**
15-19			1	19	33	21	5			**79**
20-24					13	52	15			**80**
25-29						6	15	5		**26**
30-34							3	9	1	**13**
35-39									1	**1**
40-UP										
Totals	**6**	**33**	**80**	**79**	**72**	**86**	**39**	**15**	**2**	**412**



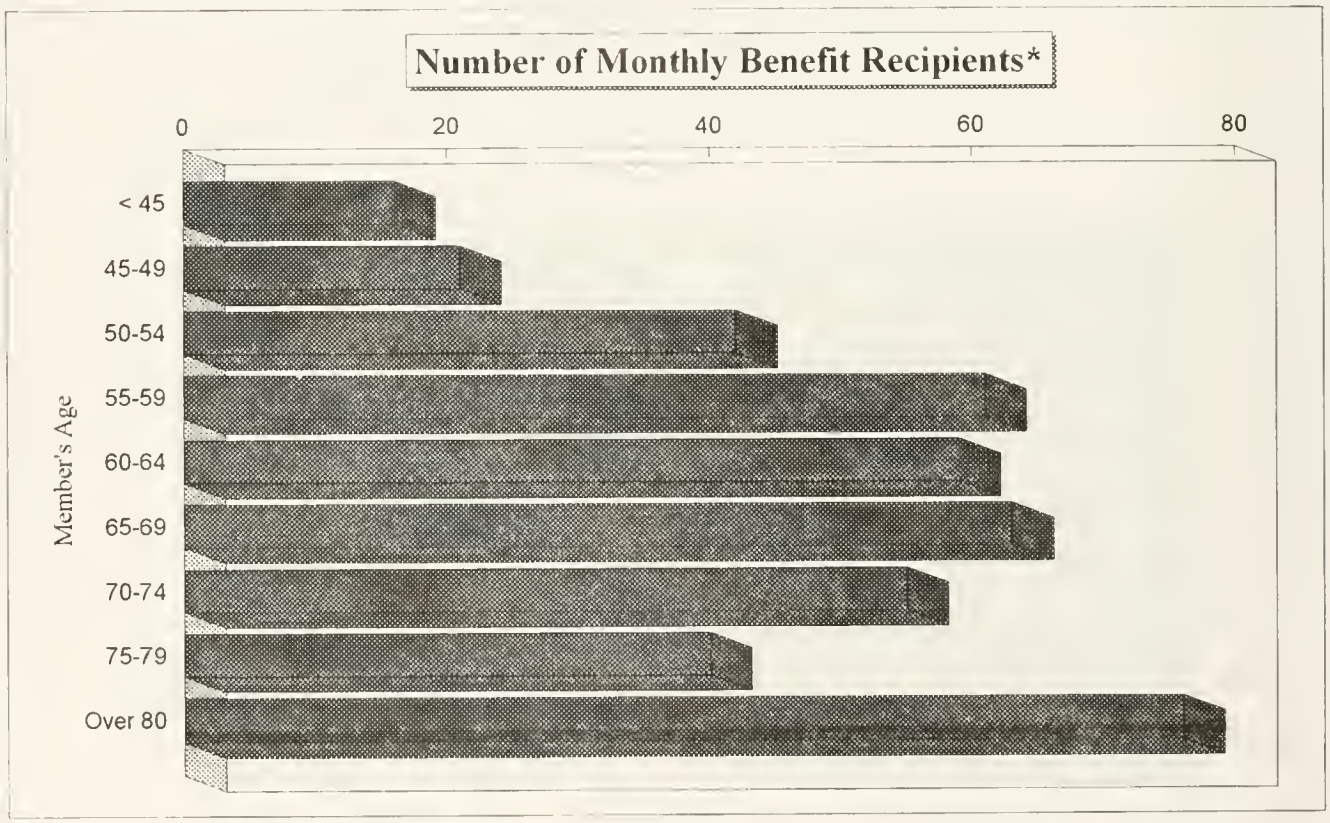
STATE OF MONTANA
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM
AVERAGE ANNUAL SALARY OF ACTIVE MEMBERS

Years of Service	Member's Age 20-25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	Over 60	Average
0-4	25,303	25,220	26,643	27,025	24,151	41,454	49,857			**26,500**
5-9		26,338	27,621	27,213	27,887	25,953		56,520		**27,709**
10-14			28,708	28,809	28,706	28,270				**29,208**
15-19			33,095	30,306	30,623	30,143	27,405			**30,247**
20-24					33,901	33,546	33,989			**33,687**
25-29						34,839	37,020	34,588		**36,049**
30-34							35,012	37,893	36,144	**37,094**
35-39									36,144	**36,144**
40-UP										
Average	**$25,303**	**$25,356**	**$27,395**	**$28,729**	**$30,368**	**$32,421**	**$34,796**	**$38,033**	**$36,144**	**$30,156**



STATE OF MONTANA
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM
*NUMBER OF MONTHLY BENEFIT RECIPIENTS**

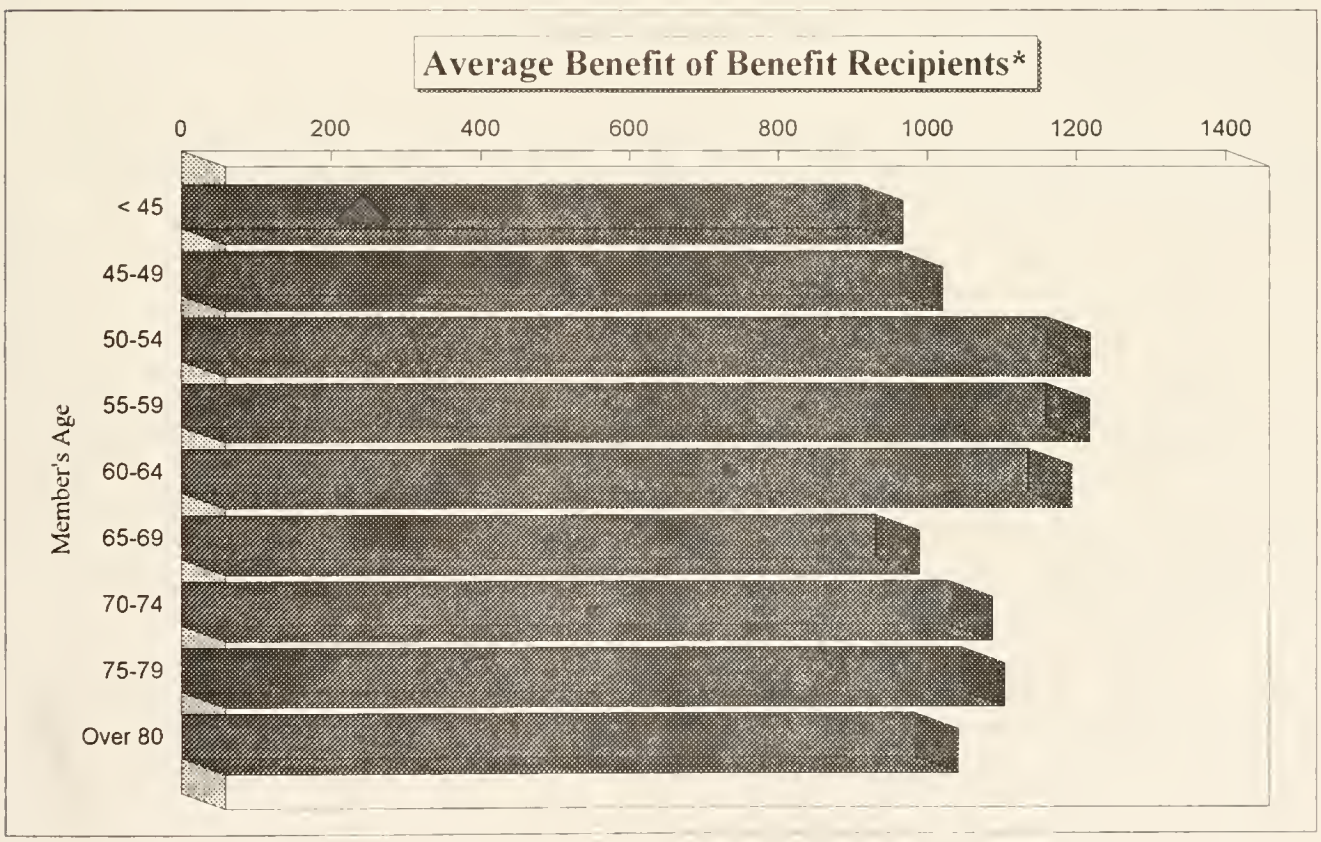
Years of Service	Recipient's Age									
	< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	Totals
0-4	3	3								6
5-9	5	1	2	1	1	1	2	1	4	18
10-14	5	5	7	2	2		5	3	5	34
15-19	1	11	6	8	8	3	3	2	4	46
20-24	2	1	16	32	21	24	23	21	30	170
25-29			10	16	18	23	14	5	12	98
30-34			1	2	3	6	6	2	9	29
35-39					3	1	1	2	6	13
40-UP						2		1		3
Totals	16	21	42	61	56	60	54	37	70	417



* Includes Retired and Disabled Members, and Survivors.

STATE OF MONTANA
FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM
*AVERAGE MONTHLY BENEFIT OF BENEFIT RECIPIENTS**

Years of Service	Recipient's Age									
	< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	Average
0-4	1,019	740								**879**
5-9	622	1,047	1,094	1,047	828	1,135	626	1,135	959	**866**
10-14	1,003	1,005	758	1,025	1,091		1,082	997	1,074	**981**
15-19	1,342	959	677	949	1,014	703	776	1,000	1,041	**919**
20-24	1,009		1,168	1,056	1,104	895	1,057	1,024	926	**1,024**
25-29			1,657	1,448	1,172	938	978	1,054	973	**1,153**
30-34				1,510	1,035	1,321	1,193	1,037	1,056	**1,196**
35-39					1,705	1,391	1,421	1,162	1,081	**1,287**
40-UP						134				**542**
Average	**$909**	**$963**	**$1,160**	**$1,159**	**$1,136**	**$931**	**$1,029**	**$1,045**	**$983**	**$1,047**



*Includes Retired and Disabled Members, and Survivors.

STATE OF MONTANA
VOLUNTEER FIREFIGHTERS' COMPENSATION ACT
PENSION DISCLOSURE INFORMATION

ACTUARIAL ASSUMPTIONS

The assumptions used in the valuation are based upon the past experience of the fund together with projections as to future experience. Mortality rates are based upon the 1983 Group Annuity Mortality Table, and apply to both active members and those receiving benefits. Disability rates for male and females are based upon the 1983 Disability Table, adjusted to reflect the higher rates experienced by firefighters. Withdrawal Rates are based on the experience of the system. It was assumed that the amounts generated by the fire insurance premium tax would grow 3% annually, investment earnings were to be 8% compounded annually, and the system would incur no administrative expenses beyond those provided by investment earnings in excess of 8%.

ACTUARIAL DATA SUMMARY

A total of 2,738 volunteer firefighters' were active and received service credit during 1992 - 1993. Another 2,282 volunteer have received past service credit but earned none last year. The average active volunteer was 41.0 years of age, was employed at age 31.9, and has completed 6.5 years of service.

There were 648 retired volunteers receiving benefits on April 30, 1994. The average retiree was 69.8 years of age, retired at age 61.0 with 16.9 years of service, and receives a benefit of $101 per month.

ACTUARIAL CONCLUSION

The total annual benefit and expense payments are currently $832,171. This will dramatically increase in the next five years to an estimated payout of $1,066,000. The existing assets of $8,759,629 and the annual contribution of $668,767 are not sufficient to finance the current benefits. If the full monthly benefit of $120 is continue, the annual contribution must be increased from 5% to 6% of the collected fire insurance premiums to meet future obligations. If the annual contribution is to remain at 5% of the collected fire insurance premium taxes, is recommended that the monthly benefits be reduced from $120 to $100.

Under the current benefit level and funding arrangement, the Volunteer Firefighters' Compensation Act is not actuarially sound.

475 copies of this public document were published at an estimated cost of $6.92 per copy, for a total cost of $3,287.00, which includes $3,287.00 for printing and $.00 for distribution.